

**PROPOSED INTERNATIONAL STANDARD ON AUDITING 706
EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTERS
PARAGRAPHS IN THE INDEPENDENT AUDITOR'S REPORT**

(Effective for auditors' reports dated on or after
[December 31, 2006])

[MARKUP FROM EXPOSURE DRAFT]

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International Standard on Auditing (ISA) 706, "Emphasis of Matter Paragraphs and Other Matters Paragraphs in the Independent Auditor's Report," should be read in the context of the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services," which sets out the application and authority of ISAs.

Introduction

1. This International Standard on Auditing (ISA) establishes standards and provides guidance on:
 - ~~(a)–e~~ Circumstances when the auditor includes an emphasis of matter paragraph ~~(see paragraphs 6–16)~~ or ~~considers including~~ an other matters paragraph ~~(see paragraphs 17–21)~~ in the auditor’s report on the financial statements;⁺ and
 - ~~(b) – on t~~ The form and placement of such paragraphs.
2. ISA 700 (Revised), “The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements,” establishes standards and provides guidance on ~~the form and content of~~ the auditor’s report when the auditor is able to express an unmodified opinion on a complete set of general purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation ~~when the auditor is able to express an unmodified opinion~~.
3. [Proposed] ISA 800701, “The Independent Auditor’s Report on ~~Special Purpose Audit Engagements~~Other Historical Financial Information,” establishes standards and provides guidance on the ~~independent~~ auditor’s report when the auditor is able to express an unmodified opinion on issued as a result of historical financial information other than (a) a complete set of general purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation, and (b) summary audited financial statements.
 - ~~(a) A complete set of financial statements prepared in accordance with an other comprehensive basis of accounting;~~
 - ~~(b) A component of a complete set of general purpose or special purpose financial statements, such as a single financial statement, specified accounts, elements of accounts, or items in a financial statement;~~
 - ~~(c) Compliance with contractual agreements; and~~
 - ~~(d) Summarized financial statements.~~⁺
4. ~~Both ISA 700 (Revised) and ISA 800 address circumstances when the auditor is able to express an unmodified opinion and no other changes to the auditor’s report are necessary.~~ [Proposed] ISA 705, “Modifications to the Opinion in the Independent Auditor’s Report,” establishes standards and provides guidance for auditors’ reports issued in accordance with ISA 700 (Revised) and [proposed] ISA 800701 when the auditor’s opinion is modified.

⁺ ~~The IAASB is currently revising ISA 800 to expand its scope to cover auditors’ reports on historical financial information other than a complete set of general purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation, which is covered in ISA 700 (Revised). The proposed ISA 705 applies to engagements that fall within ISA 700 (Revised) and those that will fall within the proposed revised ISA 800. On finalization of the proposed revised ISA 800 (expected to be exposed for public comment later this year), this paragraph will be amended to conform to ISA 800 (Revised).~~

5. The standards and guidance in this ISA are to be applied in circumstances when the auditor includes an emphasis of matter paragraph or an other matters paragraph in an auditor's report issued in accordance with ISA 700 (Revised), [proposed] ISA 800701 and [proposed] ISA 705. The Appendix to this ISA provides illustrative reports ~~in this ISA (see Appendix)~~ are based on the form and content of the auditor's report as set out in ISA 700 (Revised) on a complete set of general purpose financial statements.

Emphasis of Matter Paragraph in the Auditor's Report

6. Although the auditor may conclude that sufficient appropriate audit evidence has been obtained on which to base an unmodified opinion on the audited financial statements, the auditor may, in rare circumstances, identify a matter of an unusual nature that has been disclosed in the financial statements as being of such fundamental importance to users' understanding of the financial statements as a whole that it would be appropriate to draw the users' attention to it to highlight its particular significance. For example, it may be appropriate to draw users' attention to an uncertainty that could affect the entity's business as a whole, for example, a going concern uncertainty. An emphasis of matter paragraph in the auditor's report provides the means for the auditor to do so.
67. **The auditor should emphasize in the auditor's report a matter that has been presented and disclosed in the financial statements only when, in the auditor's judgment, ~~both of~~ the following conditions criteria are met:**
- (a) **The matter is of fundamental importance to the user's understanding of the financial statements;** ~~and~~
 - (b) **The matter is unusual;**
 - (c) The auditor has obtained sufficient appropriate audit evidence about the matter; and
 - (d) There is no disagreement with management regarding the accounting for, and disclosure of, the matter in the financial statements.
8. The auditor uses professional judgment in determining when to emphasize a matter in the auditor's report. Accordingly, even when the above criteria have been met, an emphasis of matter may not be necessary in the particular circumstances of the engagement.
7. ~~Ordinarily the auditor determines a matter to be of fundamental importance to the user's understanding of the financial statements if the consequences or possible consequences of the matter could significantly affect the entity's financial position, financial performance or cash flows.~~
9. A matter is considered to be fundamental to the user's understanding of the financial statements if the matter affects, or could affect, the financial statements to such an extent,

or is of such importance to the financial statements as a whole, that clear disclosure of the matter is necessary to avoid the financial statements from being misleading² to the user.

- ~~810. The auditor~~ A matter is ordinarily ~~considered a matter~~ to be unusual if it occurs infrequently or is out of the ordinary course of business for the entity or ~~for other entities in the its~~ industry.

~~9. THIS PARAGRAPH MOVED TO BECOME PARAGRAPH 13.~~

- ~~10. Accordingly, the auditor only includes an emphasis of matter paragraph in the auditor's report if the matter under consideration meets the following criteria:~~

- ~~(a) The matter is presented and disclosed in the entity's financial statements in accordance with the applicable financial reporting framework; and~~
~~(b) The auditor agrees with management on the selected accounting policy, its application and the presentation and disclosure of the matter.~~

~~When the matter under consideration does not meet these criteria, the auditor considers whether it represents a disagreement with management and whether a qualified opinion or an adverse opinion is appropriate (see [proposed] ISA 705 (Revised)).~~

11. ISA 570, "Going Concern," requires the auditor to include an emphasis of matter paragraph in the auditor's report on financial statements to highlight the existence of a material uncertainty regarding an entity's ability to continue as a going concern. The auditor draws attention to the disclosure in the financial statements that discusses the going concern uncertainty.
12. Examples of ~~Other circumstances that may meet in which the auditor includes an emphasis of matter paragraph when~~ the criteria set out in paragraphs ~~76 and 10~~ are met include ~~the following~~:
- An Significant ~~uncertainty~~ ies such as an uncertainty related to the future outcome of a major litigation or regulatory action (for example, a regulatory agency requires a company to recall a major product for safety reasons the pending outcome of a major arbitration case that could affect the entity's business) (see Example Report 1 in the Appendix);
 - Significant and unusual related party transactions, disclosure of which is fundamental to the user's understanding of the financial statements (see Example Report 2 in the Appendix);

² Section 110 of the IFAC *Code of Ethics for Professional Accountants* (Revised June 2005) requires a professional accountant not to be associated with reports, returns, communications or other information where they believe that the information (a) contains a materially false or misleading statement, (b) contains statements or information furnished recklessly, or (c) omits or obscures information required to be included where such omission or obscurity would be misleading, unless the professional accountant provides a modified report in respect of the information.

- Early application of a new accounting ~~principle standard~~ (or for example, a new International Financial Reporting Standard) that has a material and pervasive effect on the financial statements ~~(that is i.e., where early before its application is permitted required)~~;
- ~~A subsequent event disclosed in the financial statements;~~
- A ~~matter such as a~~ major catastrophe, ~~which is disclosed in a note to the financial statements;~~ that has had, or continues to have, a significant effect on the entity's business or operations (see Example Report 3 in the Appendix).

13. The inclusion of an emphasis of matter paragraph in the auditor's report does not affect the auditor's opinion. ~~It~~ An emphasis of matter is not a substitute for either (a) the auditor's expression of a qualified opinion, an adverse opinion, or a disclaimer of opinion when required by the circumstances of a specific audit engagement (see [proposed] ISA 705), or (b) disclosures in the financial statements that the applicable financial reporting framework requires management to make.

~~13. Significant uncertainties about the outcome of future events may affect a number of financial statement line items. In these circumstances, management is responsible for estimating the effect of future events on the financial statements, or determining that a reasonable estimate cannot be made, and making the required disclosures in accordance with the applicable financial reporting framework.~~

~~14. When one or more uncertainties meet the requirements of paragraphs 6 and 10, the auditor includes an emphasis of matter paragraph in the auditor's report. The existence of one or more significant uncertainties does not in itself result in an inability for the auditor to form an opinion. A significant uncertainty can be expected to be resolved at a future date, at which time conclusive information concerning its outcome will become available. Consequently, a lack of information related to the outcome of an uncertainty does not necessarily lead to a conclusion that the information supporting management's assertions is not sufficient. Rather, the auditor's judgment regarding the sufficiency of appropriate audit evidence is based on information that is, or should be, available. If, after considering the existing conditions and available information, the auditor concludes that sufficient appropriate audit evidence supports management's assertions and related disclosures about an uncertainty and its presentation and disclosure in the financial statements, the auditor expresses an unmodified opinion. [THE SUBSTANCE OF THIS PARAGRAPH HAS BEEN MOVED TO PARAGRAPH 30 OF THE FIRST-READ DRAFT OF ISA 705]~~

~~15. The auditor may decide to include an emphasis of matter paragraph regarding the disclosure of significant and unusual related party transactions in order to highlight the potential effect of the relationship on the financial statements as described in the disclosure.~~

146. ~~The auditor should include~~ An the emphasis of matter paragraph ~~should follow immediately after~~ the opinion paragraph in the auditor's report and ~~should use the have a heading that indicates that it deals with an emphasis of matter, that is, "Emphasis of Matter."~~ The emphasis of matter paragraph should clearly ~~describe highlight~~ the matter being emphasized and indicate where relevant disclosures that fully describe the matter can be found in the financial statements.
15. ~~The auditor draws attention to the disclosure in the financial statements that discusses the matter.—~~The auditor does not make disclosures in the emphasis of matter paragraph beyond those included in the financial statements because doing so may imply that the matter has not been appropriately disclosed or that there is a disagreement with management criteria in paragraph 10 are not met.

Other Matters Paragraph in the Auditor's Report

167. ~~In some jurisdictions, the auditor's report may be the only means of communicating to readers of the report. Considerations regarding the inclusion of an emphasis of matter paragraph in the auditor's report apply only to matters that are required to be presented and disclosed in the financial information in accordance with the applicable financial reporting framework.~~
17. ~~As a result, t~~The auditor may ~~consider~~find it necessary to use the auditor's report as a means of communicating information relating to matters other than those that are ~~required to be presented or and~~ disclosed in the financial statements, ~~and thus the subject of an emphasis of matter paragraph.~~ Such information is referred to in this ISA as "Other Matters:" in order to distinguish it from a matter highlighted in an emphasis of matter paragraph.
18. The auditor should ~~include other matters in use~~ a separate paragraph ~~of in~~ the auditor's report with the ~~with a heading that indicates that it deals with an other matter, that is, "Other Matters."~~ to communicate, where appropriate and not prohibited by law or regulation, matters other than those that are presented and disclosed in the financial statements in accordance with the applicable financial reporting framework.
19. ~~This~~ auditor should place the other matters paragraph ~~ordinarily follows after~~ the auditor's opinion and any emphasis of matter paragraph. ~~(See Example Report 1 in the Appendix.)~~
2019. The content of the other matters paragraph ~~makes it reflects~~ clearly ~~to the users of the financial statements~~ that such other matters are not required to be presented and disclosed included in the financial statements.
210. ~~Examples of~~ The other matters ~~paragraph addresses only matters~~ that are not required to be recognized or disclosed in the financial statements by the applicable financial reporting framework. ~~These would~~ include the following:

- (a) Avoidance of auditor association with misleading information in a document containing audited financial statements (see ISA 720, “Other Information in Documents Containing Audited Financial Statements”).
- (b) Circumstances where the incoming auditor is permitted to refer to the predecessor auditor’s report on the corresponding figures in the incoming auditor’s report for the current period, or where the prior period financial statements were not audited (see ISA 710, “Comparatives”).
- ~~(c) Matters that provide further explanation of Where standards, laws or generally accepted practice in a jurisdiction require or permit the auditor to provide further explanation of the auditor’s responsibilities in the an audit of the financial statements or of the auditor’s report thereon that the auditor may be required or permitted to elaborate on by standards, laws, or generally accepted practice in a jurisdiction. (Ssee paragraph 45 of ISA 700 (Revised)).~~
- (de) In rare and unusual circumstances, other matters that the auditor considers relevant to communicate to the user, for example, where the auditor judges it necessary to explain why the auditor is unable to resign from the engagement even though the possible effect of an inability to obtain sufficient appropriate audit evidence due to a scope limitation imposed by management is both material and pervasive.

~~21. As described in ISA 720, “Other Information in Documents Containing Audited Financial Statements,” the auditor has a responsibility to read the other information in a document containing audited financial statements to identify material inconsistencies or misleading information. ISA 720 provides guidance for the auditor when an amendment to such other information is necessary for it not to be materially inconsistent with the information in the financial statements and management refuses to make the amendment. If an amendment is necessary in the other information and management refuses to make the amendment, the auditor considers including in the auditor’s report an other matters paragraph describing the material inconsistency or taking other actions.~~

Communication with Those Charged with Governance

- 22. Prior to signing the report, the auditor should communicate with those charged with governance regarding emphasis of matter or other matters paragraphs that the auditor will include in the auditor’s report, and the proposed wordings of these paragraphs.
- 23. Such communication enables those charged with governance to be made aware of the nature of any specific matters that the auditor intends to highlight in the auditor’s report, and provides them with an opportunity to obtain further clarification from the auditor where necessary.

Effective Date

- 242. This ISA is effective for auditor’s reports dated on or after [December 31, 2006].

Appendix

Examples of Auditors' Reports that Include Emphasis of Matter Paragraphs or Other Matters Paragraphs

Example Report 1: Auditor's report with an unmodified opinion; the report contains an emphasis of matter paragraph referring to a significant uncertainty related to pending litigation, and an other matters paragraph referring to a material inconsistency with other information in the annual report containing audited financial statements.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Statements³

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

³ The subheading "Report on the Financial Statements" is unnecessary in circumstances when the second subheading "Report on Other Legal and Regulatory Requirements" is not applicable.

expressing an opinion on the effectiveness of the entity's internal control.⁴ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of (or “*present fairly, in all material respects*”) the financial position of ABC Company as of December 31, 20X1, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note X to the financial statements, which **appropriately** describes the **significant**-uncertainty⁵ related to the outcome of a lawsuit in which the company is the defendant. ~~The lawsuit alleges infringement of certain patent rights and claims royalties and punitive damages in the amount of 10 million EUR. Although the company acknowledges that there is significant uncertainty related to the outcome of the lawsuit, the company believes that it will be able to successfully defend its case and, accordingly, no provision for any liability that may result has been recognized in the financial statements.~~

Other Matters

In the Chairman's Report contained in the Annual Report, it is stated that the company has realized a relative increase in profitability this year over that of the prior year.- While this statement is consistent with regard to earnings before interest, taxes, depreciation, and amortization (EBITDA), it is inconsistent with regard to profit for the year **determined in accordance with International Financial Reporting Standards**, which has decreased from ~~last the prior~~ year.

Report on Other Legal and Regulatory Requirements (ISA 700 (Revised), paragraphs 46-49)

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

⁴ In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.”

⁵ In highlighting the uncertainty, the auditor uses the same terminology that is used in the note to the financial statements.

Example Report 2: Auditor’s report with an unmodified opinion; the report contains an emphasis of matter paragraph referring to a significant and unusual related party transaction.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Report on the Financial Statements⁶

~~We have audited ... (remaining words are the same as illustrated in the introductory paragraph — see Example Report 1 above).~~ We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

~~Management is responsible for ... (remaining words are the same as illustrated in the management’s responsibility paragraph — see Example Report 1 above).~~ Management is responsible for the preparation and the fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

~~Our responsibility is ... (remaining words are the same as illustrated in the auditor’s responsibility paragraphs — see Example Report 1 above).~~ Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

⁶ The subheading “Report on the Financial Statements” is unnecessary in circumstances when the second subheading “Report on Other Legal and Regulatory Requirements” is not applicable.

expressing an opinion on the effectiveness of the entity’s internal control.⁷ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

~~In our opinion ... (remaining words are the same as illustrated in the opinion paragraph – see Example Report 1 above).~~ In our opinion, the financial statements give a true and fair view of (or “present fairly, in all material respects”) the financial position of ABC Company as of December 31, 20X1, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to ~~a significant and unusual related party transaction disclosed in Note X to the financial statements, which includes an appropriate description of the company’s sale of the office equipment division to a member of the company’s management team for 100 million EUR~~ discloses the sale and leaseback of the company’s headquarters to the company’s controlling shareholder.

Report on Other Legal and Regulatory Requirements (ISA 700 (Revised), paragraphs 46-49)

[Form and content of this section of the auditor’s report will vary depending on the nature of the auditor’s other reporting responsibilities.]

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]

⁷ In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.”

Example Report 3: Auditor’s report with an unmodified opinion; the report also contains an emphasis of matter paragraph referring to uncertainty regarding the effects of a major catastrophe.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Report on the Financial Statements⁸

~~We have audited ... (remaining words are the same as illustrated in the introductory paragraph — see Example Report 1 above).~~ We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

~~Management is responsible for... (remaining words are the same as illustrated in the management’s responsibility paragraph — see Example Report 1 above).~~ Management is responsible for the preparation and the fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

~~Our responsibility is ... (remaining words are the same as illustrated in the auditor’s responsibility paragraphs — see Example Report 1 above).~~ Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

⁸ The subheading “Report on the Financial Statements” is unnecessary in circumstances when the second subheading “Report on Other Legal and Regulatory Requirements” is not applicable.

expressing an opinion on the effectiveness of the entity's internal control.⁹ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

~~In our opinion ... (remaining words are the same as illustrated in the opinion paragraph – see Example Report 1 above).~~ In our opinion, the financial statements give a true and fair view of (or “present fairly, in all material respects”) the financial position of ABC Company as of December 31, 20X1, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note X to the financial statements, which describes the uncertainty¹⁰ relating to the continuation of business for the company's major subsidiary in [Country X] due to the earthquake~~includes an appropriate description of the considerable uncertainties to which the calculation of the year's results and shareholders' equity at December 31, 20X1 are subject because of [describe major catastrophe] that occurred during the year.~~ Note X further gives a description of the fact that the company is in the process of restructuring due to the catastrophe, and a description of the related accounting treatment, including expectations for the company's future operations.

Report on Other Legal and Regulatory Requirements (ISA 700 (Revised), paragraphs 46-49)

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

⁹ In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.”

¹⁰ In highlighting the uncertainty, the auditor uses the same terminology that is used in the note to the financial statements.

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