

Agenda Item 2-C

Proposed Changes to ISA 700 (Revised), “The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements” and ED-ISA 701, “The Independent Auditor’s Report on Other Historical Financial Information” (CLEAN)

Note: Shaded text indicate text in proposed ISA 701 that does not have an equivalent in ISA 700 (Revised).

INTERNATIONAL STANDARD ON AUDITING 700 (REVISED)

THE INDEPENDENT AUDITOR’S REPORT ON GENERAL PURPOSE FINANCIAL STATEMENTS

Introduction

1. The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on the independent auditor’s report issued as a result of an audit of general purpose financial statements. As described in ISA 200, “Objective and General Principles Governing an Audit of Financial Statements,” “general purpose financial statements” are financial statements prepared in accordance with a financial reporting framework designed to meet the common financial information needs of a wide range of users. Reference to “financial statements” in this ISA should be read as “general purpose financial statements,” and can be to a complete set of financial statements or a single financial statement. The requirements of the applicable financial reporting framework determine the form and content of the financial statements and what constitutes a complete set of financial statements.
2. **The auditor’s report should contain a clear expression of the auditor’s opinion on the financial statements.**

PROPOSED

INTERNATIONAL STANDARD ON AUDITING 701 THE INDEPENDENT AUDITOR’S REPORT ON SPECIAL PURPOSE FINANCIAL STATEMENTS

Introduction

1. The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on the independent auditor’s report issued as a result of an audit of special purpose financial statements. As described in ISA 200, “Objective and General Principles Governing an Audit of Financial Statements,” “special purpose financial statements” are financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specific users. Reference to “financial statements” in this ISA should be read as “special purpose financial statements,” and can be to a complete set of financial statements or a single financial statement. The requirements of the applicable financial reporting framework determine the form and content of the financial statements and what constitutes a complete set of financial statements.
2. This ISA also contains reporting considerations specific to reporting on one or more specific elements, accounts or items of a single financial statement.
3. **The auditor’s report should contain a clear expression of the auditor’s opinion on the financial statements.**

3. [Proposed] ISA 705, “Modifications to the Opinion in the Independent Auditor’s Report” contains additional standards and guidance on circumstances that may result in a modified opinion, the type of modification required, and the form and content of the auditor’s report when the opinion is modified. [Proposed] ISA 706, “Emphasis of Matter Paragraphs and Other Matters Paragraphs in the Independent Auditor’s Report” contains additional standards and guidance on circumstances when the auditor considers including an emphasis of matter paragraph or an other matters paragraph in the auditor’s report, and the form and placement of such paragraphs.
4. ISA 701, “The Independent Auditor’s Report on Special Purpose Financial Statements” contains standards and guidance on the form and content of the auditor’s report issued as a result of an audit of special purpose financial statements. It also contains reporting considerations specific to reporting on one or more specific elements, accounts or items of a single financial statement.
4. Examples of financial reporting frameworks that may be designed to meet the financial information needs of specific users include:
 - A tax basis of accounting;
 - The cash receipts and disbursements basis of accounting that an entity may be requested to prepare for creditors;
 - The financial reporting provisions established by a regulator to meet the requirements of that regulator; and
 - The financial reporting provisions of a contract, such as a bond indenture or loan agreement.
5. [Proposed] ISA 705, “Modifications to the Opinion in the Independent Auditor’s Report” contains additional standards and guidance on circumstances that may result in a modified opinion, the type of modification required, and the form and content of the auditor’s report when the opinion is modified. [Proposed] ISA 706, “Emphasis of Matter Paragraphs and Other Matters Paragraphs in the Independent Auditor’s Report” contains additional standards and guidance on circumstances when the auditor considers including an emphasis of matter paragraph or an other matters paragraph in the auditor’s report, and the form and placement of such paragraphs.
6. This ISA does not contain standards or guidance for the following:
 - A report issued as a result of an audit of general purpose financial statements. Standards and guidance for this are contained in ISA 700 (Revised), “The Independent Auditor’s Report on General Purpose Financial Statements.”
 - A report issued solely to a group auditor by another auditor as a result of an audit performed on a component’s financial information for purposes of the audit of group financial statements (see [proposed] ISA 600 (Revised), “The Audit

of Group Financial Statements” for requirements on the information to be included in such a report).

- A report expressing an opinion on summary financial statements which has been derived from financial statements. Standards and guidance for auditors’ reports on summary audited financial statements are contained in [proposed] ISA 800, “The Independent Auditor’s Report on Summary Audited Financial Statements.”
- A report confirming that information is an accurate extraction from audited financial statements.

Elements of the Auditor’s Report

5. Consistency in the auditor’s report, when the audit has been conducted in accordance with the ISAs, promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognized standards. It also helps to promote the reader’s understanding and to identify unusual circumstances when they occur.
6. Paragraphs 7-45 set out the requirements relating to the following elements of the auditor’s report:
 - (a) Title;
 - (b) Addressee;
 - (c) Introductory paragraph;
 - (d) Management’s responsibility for the financial statements;
 - (e) Auditor’s responsibility;
 - (f) Auditor’s opinion;
 - (g) Other reporting responsibilities;
 - (h) Auditor’s signature;
 - (i) Date of the auditor’s report; and

Elements of the Auditor’s Report

7. **The auditor should follow the standards and guidance in ISA 700 (Revised) that deal with the elements of the auditor’s report.** Additional elements of the auditor’s report on special purpose financial statements are set out in paragraphs 8-12 of this ISA. Appendix 2 to this ISA contains examples of auditors’ reports on special purpose financial statements.

- (j) Auditor's address.

Title

7. **The auditor's report should have a title that clearly indicates that it is the report of an independent auditor.**
8. A title indicating the report is the report of an independent auditor, for example, "Independent Auditor's Report," affirms that the auditor has met all of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent auditor's report from reports issued by others.

Addressee

9. **The auditor's report should be addressed as required by the circumstances of the engagement.**
21. National laws or regulations often specify to whom the auditor's report should be addressed in that particular jurisdiction. Ordinarily, the auditor's report is addressed to those for whom the report is prepared, often either to the shareholders or to those charged with governance of the entity whose financial statements are being audited.

Introductory Paragraph

10. **The introductory paragraph in the auditor's report should identify the entity whose financial statements have been audited and should state that the financial statements have been audited. The introductory paragraph should also:**
 - (a) **Identify the title of each statement that comprises the financial statements;**
 - (b) **Refer to the summary of significant accounting policies and other explanatory notes; and**
 - (c) **Specify the date and period covered by the financial statements.**
11. This requirement is ordinarily met by stating that the auditor has audited the accompanying financial statements of the entity,

which comprise [state the title of each financial statement comprising the complete set of financial statements required by the applicable financial reporting framework (or, where applicable, the title of the single financial statement), specifying the date or period covered by each financial statement] and referring to the summary of significant accounting policies and other explanatory notes. In addition, when the auditor is aware that the financial statements will be included in a document that contains other information, such as an annual report, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the financial statements are presented. This helps readers to identify the financial statements to which the auditor's report relates.

12. In the case of a complete set of financial statements, the auditor's opinion covers the complete set of financial statements as defined by the applicable financial reporting framework. For example, in the case of financial statements prepared in accordance with IFRSs, this includes: a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, and a summary of significant accounting policies and other explanatory notes. In some jurisdictions additional information might also be considered to be an integral part of the financial statements.
13. In some circumstances, the entity may be required by law or regulation or standards, or may voluntarily choose, to present together with the financial statements supplementary information that is not required by the applicable financial reporting framework. For example, supplementary information might be presented to enhance a user's understanding of the applicable financial reporting framework or to provide further explanation of specific financial statement items. Such information is normally presented in either supplementary schedules or as additional notes. The auditor's opinion may or may not cover the supplementary information and it is therefore important for the auditor to be satisfied that any supplementary information that is not covered by the auditor's opinion is clearly differentiated, as discussed in paragraphs 55-59.

14. In some circumstances, the supplementary information cannot be clearly differentiated from the financial statements because of its nature and how it is presented. Such supplementary information is covered by the auditor's opinion. For example, the auditor's opinion covers notes or supplementary schedules that are cross-referenced from the financial statements. This would also be the case when the notes to the financial statements include an explanation of the extent to which the financial statements comply with another financial reporting framework.
15. Supplementary information that is presented as an integral part of the financial statements does not need to be specifically referred to in the introductory paragraph of the auditor's report when the reference to the notes in the description of the statements that comprise the financial statements in the introductory paragraph is sufficient.

Management's Responsibility for the Financial Statements

16. **The auditor's report should state that management is responsible for preparing and presenting the financial statements in accordance with the applicable financial reporting framework and that this responsibility includes:**
 - (a) **Designing, implementing and maintaining internal control relevant to preparing and presenting financial statements that are free from material misstatement, whether due to fraud or error;**
 - (b) **Selecting and applying appropriate accounting policies; and**
 - (c) **Making accounting estimates that are reasonable in the circumstances.**

Where the phrases "give a true and fair view" or "are presented fairly, in all material respects," are used to express the auditor's opinion on the financial statements, the statement of management's responsibility for the financial statements refers to "the preparation and *fair* presentation of the financial statements"

instead of “preparation and presentation.”

17. Financial statements are the representations of management. Management is responsible for preparing and presenting the financial statements in accordance with the applicable financial reporting framework. For example, in the case of financial statements prepared in accordance with IFRSs, management is responsible for preparing financial statements that fairly present the financial position, financial performance and cash flows of the entity in accordance with IFRSs. To fulfill this responsibility, management designs and implements internal control¹ to prevent or to detect and correct misstatements, whether due to fraud or error, in order to ensure the reliability of the entity’s financial reporting. The preparation of the financial statements requires management to exercise judgment in making accounting estimates that are reasonable in the circumstances, as well as to select and apply appropriate accounting policies. These judgments are made in the context of the applicable financial reporting framework.
18. There may be circumstances when it is appropriate for the auditor to add to the description of management’s responsibilities in paragraph 16 to reflect additional responsibilities that are relevant to preparing and presenting the financial statements in the context of the particular jurisdiction or the nature of the entity
19. The term management has been used in this ISA to describe those responsible for preparing and presenting the financial statements. Other terms may be appropriate depending on the legal framework in the particular jurisdiction. For example, in some jurisdictions, the appropriate reference may be to those charged with governance (for example, the directors).

Auditor’s Responsibility

20. **The auditor’s report should state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.**
21. The auditor’s report states that the auditor’s responsibility is to

express an opinion on the financial statements based on the audit in order to contrast it to management's responsibility for preparing and presenting the financial statements.

22. **The auditor's report should state that the audit was conducted in accordance with International Standards on Auditing. The auditor's report should also explain that those standards require that the auditor comply with ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.**
23. The reference to the standards used conveys to the reader that the audit has been conducted in accordance with established standards.
24. ISA 200 specifies what is required in order to conduct an audit in accordance with the ISAs. That ISA explains that the auditor cannot describe the audit as being conducted in accordance with the ISAs unless the auditor has complied fully with all of the ISAs relevant to the audit.
25. **The auditor's report should describe an audit by stating that:**
 - (a) **An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements;**
 - (b) **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 presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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, the auditor should omit the phrase that the auditor’s consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control; and

- (c) **An audit also includes evaluating the appropriateness of the accounting policies used, the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.**

Where the phrases “give a true and fair view” or “are presented fairly, in all material respects,” are used to express the auditor’s opinion on the financial statements, the description of the audit refers to “the preparation and *fair* presentation of the financial statements” instead of “preparation and presentation.”

26. **The auditor’s report should state that the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor’s opinion.**

Auditor’s Opinion

27. **An unmodified opinion should be expressed when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.**
28. **When expressing an unmodified opinion on financial statements prepared and presented in accordance with a fair presentation financial reporting framework (see ISA 200), the opinion paragraph of the auditor’s report should state the auditor’s opinion that the financial statements give a true and fair view or present fairly, in all material respects, in accordance with the applicable financial reporting framework (unless otherwise required by law or regulation). In all other cases, the auditor’s opinion states that the financial statements have been prepared, in all material respects, in accordance with the applicable financial reporting framework.**
29. **When International Financial Reporting Standards or**

International Public Sector Accounting Standards are not used as the financial reporting framework, the reference to the financial reporting framework in the wording of the opinion should identify the jurisdiction or country of origin of the financial reporting framework.

30. To advise the reader of the context in which the auditor's opinion is expressed, the auditor's opinion identifies the applicable financial reporting framework on which the financial statements are based. When the applicable financial reporting framework is not IFRSs or International Public Sector Accounting Standards (IPSASs), the auditor's opinion also identifies the jurisdiction or country of origin of the applicable financial reporting framework. The auditor identifies the applicable financial reporting framework in such terms as:

“... in accordance with International Financial Reporting Standards” or

“... in accordance with accounting principles generally accepted in Country X ...”

31. For example, in the case of a complete set of financial statements prepared in accordance with IFRSs, the auditor expresses an opinion that the financial statements give a true and fair view of or present fairly, in all material respects, the financial position of the entity as at the end of the period and the entity's financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

32. When the applicable financial reporting framework encompasses legal and regulatory requirements, the auditor identifies the applicable financial reporting framework in such terms as:

“... in accordance with International Financial Reporting Standards and the requirements of Country X Corporations Act.”

Other Matters

33. Standards, laws or generally accepted practice in a jurisdiction

may require or permit the auditor to elaborate on matters that provide further explanation of the auditor's responsibilities in the audit of the financial statements or of the auditor's report thereon. Such matters may be addressed in a separate paragraph following the auditor's opinion.

Other Reporting Responsibilities

34. In some jurisdictions, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibility to express an opinion on the financial statements. For example, the auditor may be asked to report certain matters if they come to the auditor's attention during the course of the audit of the financial statements. Alternatively, the auditor may be asked to perform and report on additional specified procedures, or to express an opinion on specific matters, such as the adequacy of accounting books and records. Auditing standards in the specific jurisdiction or country often provide guidance on the auditor's responsibilities with respect to specific additional reporting responsibilities in that jurisdiction or country.
35. In some cases, the relevant standards or laws may require or permit the auditor to report on these other responsibilities within the auditor's report on the financial statements. In other cases, the auditor may be required or permitted to report on them in a separate report.
36. **When the auditor addresses other reporting responsibilities within the auditor's report on the financial statements, these other reporting responsibilities should be addressed in a separate section in the auditor's report that follows the opinion paragraph.**
37. The auditor addresses these other reporting responsibilities in a separate section of the report in order to clearly distinguish them from the auditor's responsibilities for, and opinion on, the financial statements.

Auditor's Signature

- 38. **The auditor's report should be signed.**
- 39. The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate for the particular jurisdiction. In addition to the auditor's signature, in certain jurisdictions, the auditor may be required to declare the auditor's professional accountancy designation or the fact that the auditor or firm, as appropriate, has been recognized by the appropriate licensing authority in that jurisdiction.

Date of the Auditor's Report

- 40. **The auditor should date the report on the financial statements no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the opinion on the financial statements. Sufficient appropriate audit evidence should include evidence that all the statements that comprise the financial statements have been prepared and that those with the recognized authority have asserted that they have taken responsibility for them.**
- 41. The date of the auditor's report informs the reader that the auditor has considered the effect of events and transactions of which the auditor became aware and that occurred up to that date. The auditor's responsibility for events and transactions after the date of the auditor's report is addressed in ISA 560, "Subsequent Events."
- 42. Since the auditor's opinion is provided on the financial statements and the financial statements are the responsibility of management, the auditor is not in a position to conclude that sufficient appropriate audit evidence has been obtained until the auditor obtains evidence that all the statements that comprise the financial statements have been prepared and management has accepted responsibility for them.
- 43. In some jurisdictions, the law or regulation identifies the individuals or bodies (for example, the directors) that are

responsible for concluding that all the statements that comprise the financial statements have been prepared, and specifies the necessary approval process. In such cases, the auditor obtains evidence of that approval before dating the report on the financial statements.² In other jurisdictions, however, the approval process is not prescribed in law or regulation. In such cases, the auditor takes into account the procedures the entity follows in preparing and finalizing its financial statements in view of its management and governance structures in order to identify the individuals or body with the authority to conclude that all the statements that comprise the financial statements, including the related notes, have been prepared.

44. In some jurisdictions, final approval of the financial statements by shareholders is required before the financial statements are issued publicly. In these jurisdictions, final approval by shareholders is not necessary for the auditor to conclude that sufficient appropriate audit evidence has been obtained. The date of approval of the financial statements for purposes of the ISAs is the earlier date on which those with the recognized authority determine that all the statements that comprise the financial statements have been prepared.

Auditor's Address

45. **The report should name the location in the country or jurisdiction where the auditor practices.**

Description of the Applicable Financial Reporting Framework

8. **When the responsible party has a choice of financial reporting frameworks, the reference to the applicable financial reporting framework in the statement of the responsible party's responsibility for the financial statements should be expanded to include the responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances. Such circumstances include the nature of the entity, the objective and nature of the financial statements, any applicable legislative and**

regulatory requirements, and the information needs of the intended users.

9. **The reference to the applicable financial reporting framework in the statement of the responsible party's responsibility for the financial statements should make clear the purpose for which the financial statements have been prepared and, if necessary, the intended users, or refer to a note in the financial statements that contains that information.**

Restriction on Distribution or Use

10. **When the financial statements have been prepared in accordance with a financial reporting framework designed to meet the financial information needs of specific users, the auditor should make a reader of the auditor's report aware of that fact and that, as a result, the financial statements and related auditor's report may not be suitable for another purpose.** The auditor includes such a statement in a separate paragraph following the auditor's opinion.
11. Because special purpose financial statements by definition are prepared in accordance with a financial reporting framework designed to meet the financial information needs of specific users, they may not be appropriate for use by anyone other than the intended users. It is therefore desirable that readers of the auditor's report are informed of this fact. This could be achieved by restricting the distribution of the auditor's report; however, the auditor may not be in the position to control the distribution of the auditor's report. For example, certain entities may be required by a regulator to place the financial statements and related auditor's report on public record. At a minimum, however, the auditor could inform readers of the auditor's report that the financial statements have been prepared in accordance with a financial reporting framework designed to meet the financial information needs of specific users and, therefore, may not be suitable for another purpose.

12. When the financial statements have been prepared for a special purpose (irrespective of whether the applicable financial reporting framework was designed to meet the common financial information needs of a wide range of users), the auditor also considers including a statement in the auditor's report that the auditor's report is intended solely for the intended users and should not be distributed to or used by parties other than the intended users. For example, an entity may provide special purpose financial statements to a broader user group, such as shareholders, who may use the financial information for a variety of purposes. The auditor may consider it appropriate in the circumstances to indicate in the terms of the engagement and the auditor's report that the auditor's report may be distributed to or used by parties other than the intended users only if the auditor's prior written consent is obtained.

Auditor's Report

46. **The auditor's report should be in writing.**
47. A written report encompasses both reports issued in hard copy format and those using an electronic medium.
48. The following is an illustration of the auditor's report incorporating the elements set forth above for an audit of a complete set of financial statements prepared in accordance with IFRSs, expressing an unmodified opinion. In addition to the audit of the financial statements, the illustration assumes that the auditor has other reporting responsibilities required under local law.

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 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 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 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.

Report on Other Legal and Regulatory Requirements

[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]

Auditor’s Report for Audits Conducted in Accordance with Both ISAs and Auditing Standards of a Specific Jurisdiction or Country

49. The auditor may conduct the audit in accordance with both the ISAs and the auditing standards of a specific jurisdiction or country (for purposes of this ISA referred to as “national auditing standards”).
50. **The auditor’s report should refer to the audit having been conducted in accordance with the International Standards on Auditing only when the auditor has complied fully with all of the International Standards on Auditing relevant to the audit.**
51. The auditor may refer to the audit having been conducted in accordance with both ISAs as well as national auditing standards when the auditor complies with each of the ISAs relevant to the audit and performs any additional audit procedures necessary to comply with the relevant standards of that jurisdiction or country. A reference to both the ISAs and national auditing standards is not appropriate if there is a conflict between the reporting

Auditor’s Report for Audits Conducted in Accordance with Both ISAs and Auditing Standards of a Specific Jurisdiction or Country

13. The auditor may conduct the audit of the financial statements in accordance with both the ISAs and the auditing standards of a specific jurisdiction or country. **Where this is the case, the auditor should follow the standards and guidance in ISA 700 (Revised) that deal with the auditor’s report for audits conducted in accordance with both ISAs and auditing standards of a specific jurisdiction or country.**

requirements regarding the auditor's report in the ISAs and in the national auditing standards that affects the auditor's opinion or the need to include an emphasis of matter paragraph in the particular circumstances. For example, some national auditing standards prohibit the auditor from including an emphasis of matter paragraph to highlight a going concern problem, whereas ISA 706 requires the auditor to add an emphasis of matter paragraph in such circumstances. In case of such conflicts, the auditor's report refers only to the auditing standards (either ISAs or the relevant national auditing standards) in accordance with which the auditor has complied with the reporting requirements.

52. **When the auditor's report refers to both International Standards on Auditing and auditing standards of a specific jurisdiction or country, the auditor's report should identify the jurisdiction or country of origin of the auditing standards.**
53. **When the auditor prepares the auditor's report using the layout or wording specified by the law, regulation or auditing standards of the specific jurisdiction or country, the auditor's report should refer to the audit being conducted in accordance with both International Standards on Auditing and the auditing standards of the specific jurisdiction or country only if the auditor's report includes, at a minimum, each of the following elements:**
 - (a) **A title;**
 - (b) **An addressee, as required by the circumstances of the engagement;**
 - (c) **An introductory paragraph that identifies the financial statements audited;**
 - (d) **A description of management's responsibility for preparing and presenting the financial statements;**
 - (e) **A description of the auditor's responsibility to express an opinion on the financial statements and the scope of the audit, that includes:**

- (i) **A reference to the International Standards on Auditing and the auditing standards of the specific jurisdiction or country, and**
 - (ii) **A description of the work an auditor performs in an audit.**
 - (f) **An opinion paragraph containing an expression of opinion on the financial statements⁵ and a reference to the applicable financial reporting framework used to prepare the financial statements (including identifying the country of origin of the financial reporting framework that is not International Financial Reporting Standards or International Public Sector Accounting Standards);**
 - (g) **The auditor's signature;**
 - (h) **The date of the auditor's report; and**
 - (i) **The auditor's address.**
54. The auditor may be obliged by national law or regulation to use a layout or wording in the auditor's report that differs from that described in this ISA. When the differences only relate to the layout and wording of the auditor's report, the auditor will be considered to have complied with the reporting requirements of the ISAs provided that the auditor's report includes, at a minimum, each of the elements identified in paragraph 53 – even if using the layout and wording specified by national laws or regulations. Where specific requirements in a particular jurisdiction do not conflict with ISAs, the auditor adopts the layout and wording used in this ISA so that users can more readily recognize the auditor's report as a report on an audit conducted in accordance with ISAs.

Unaudited Supplementary Information Presented with Audited Financial Statements

55. **The auditor should be satisfied that any supplementary**

Unaudited Supplementary Information Presented with Audited Financial Statements

14. Unaudited supplementary information may be presented with

information presented together with the financial statements that is not covered by the auditor's opinion is clearly differentiated from the audited financial statements.

56. As noted in paragraphs 13-14, the entity may be required to, or management may choose to, include supplementary information together with the financial statements. The auditor's opinion is considered to cover supplementary information that cannot be clearly differentiated from the financial statements because of its nature and how it is presented. In other circumstances, however, law or regulation may not require the supplementary information to be audited and management may not ask the auditor to include the supplementary information within the scope of the audit of the financial statements. When the supplementary information is not intended to be audited, the auditor considers whether that supplementary information is presented in a manner that could be construed as being covered by the auditor's opinion and, if so, asks management to change how the information is presented. The auditor considers, for example, where the unaudited information is presented in relation to the financial statements and any audited supplementary information, and whether it is clearly labeled as "unaudited." The auditor asks management to remove any cross references from the financial statements to unaudited supplementary schedules or unaudited notes because the demarcation between the audited and unaudited information would not be sufficiently clear. Unaudited notes that are intermingled with the audited notes can also be misinterpreted as being audited. Therefore, the auditor asks the entity to place the unaudited information outside of the financial statements, or, if that is not possible in the circumstances, at a minimum, place the unaudited notes together at the end of the required notes to the financial statements and clearly label them as unaudited.
57. As noted in paragraph 12, when the auditor is aware that the financial statements will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited financial statements are presented in the auditor's report.

the audited financial statements. **Where this is the case, the auditor should follow the standards and guidance in ISA 700 (Revised) that deal with unaudited supplementary information presented with audited financial statements.**

This helps readers differentiate the financial statements from other information not covered by the auditor's opinion.

58. **If the auditor concludes that the entity's presentation of any unaudited supplementary information does not differentiate it sufficiently from the audited financial statements, the auditor should explain in the auditor's report that that information has not been audited.**
59. The fact that supplementary information is unaudited does not relieve the auditor of the responsibility to read that information to identify material inconsistencies with the audited financial statements. The auditor's responsibilities with respect to unaudited supplementary information are consistent with those described in ISA 720, "Other Information in Documents Containing Audited Financial Statements."

Reporting Considerations Specific to Reporting on One or More Specific Elements, Accounts or Items of a Financial Statement

15. An auditor may undertake an engagement to report on one or more specific elements, accounts or items of a financial statement, separately or together with an audit of the entity's financial statements. **When undertaken together, the auditor should express a separate audit opinion for each of the engagements.**
16. When the entity intends to publish an audited element, account or item together with the entity's financial statements, the entity's presentation of the audited element, account or item should differentiate it sufficiently from the financial statements. The audit opinion on the element, account or item should also be sufficiently differentiated from the audit opinion on the financial statements. If the auditor concludes that the differentiation is insufficient, the auditor asks the responsible party to rectify the situation. The auditor does not issue the auditor's report on the element, account or item until satisfied with the differentiation.

17. **When a modified auditor's report has been issued on an entity's financial statements, the auditor should consider the effect that this may have on the auditor's report on an element, account or item.**
18. When a modified audit opinion on the financial statements relates to the element, account or item, the auditor considers whether to modify the audit opinion on the element, account or item in a similar manner. When a modified audit opinion on the financial statement does not relate to the element, account or item, the auditor considers whether it may be necessary to refer to the modified opinion in an other matters paragraph (see [proposed] ISA 706) in the auditor's report on the element, account or item.
19. In accordance with [proposed] ISA 705, if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements as a whole, the auditor is not permitted to express an unmodified opinion on one or more specific elements, accounts or items of those financial statements in the same auditor's report and with respect to the same applicable financial reporting framework. However, where the opinion on the specific elements, accounts or items is expressed in a separate auditor's report, the auditor may be able to express an unmodified opinion on them, provided that the matters to be reported on and the related scope of the audit were not intended to, and did not, encompass so many elements, accounts or items as to constitute a major portion of those financial statements.

Effective Date

20. This ISA is effective for auditors' reports dated on or after [date].

Effective Date

60. This ISA is effective for auditor's reports dated on or after [date].

Public Sector Perspective

[The PSP has not been reproduced for purposes of this discussion.]

- ¹ In some jurisdictions, law or regulation prescribing management’s responsibilities may specifically refer to a responsibility for the adequacy of accounting books and records, or accounting system. As books, records and systems are an integral part of internal control (as defined in ISA 315, “Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement”), no specific reference is made to them in paragraph 28 for the description of management’s responsibilities.
- ² In rare circumstances, law or regulation also identifies the point in the financial statement reporting process at which the audit is expected to be complete.
- 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.
- ⁴ In circumstances when the auditor also has 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 Circumstances when the auditor needs to modify the auditor’s opinion are addressed in [proposed] ISA 705, “Modifications to the Opinion in the Independent Auditor’s Report.” In some circumstances, the auditor may not be able to express an opinion on the financial statements because the effect of a limitation on the scope of the audit is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence. In such circumstances, the auditor expresses a disclaimer of opinion.

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