

Mark-up based on September 22 IAASB Draft**Proposed Amended ISA 700, “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. This ISA also establishes standards and provides guidance on forming an opinion on financial statements ~~(see paragraphs 5-10)~~.
- 1a. “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. ISA 800, “Special Considerations—Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement” contains standards and guidance on the independent auditor’s report issued as a result of an audit of financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specific users (“special purpose financial statements”), as well as on the independent auditor’s report issued as a result of an audit of specific elements, accounts or items of a financial statement.
3. 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. ISA 706, “Emphasis of Matter Paragraphs and Other Matter(s) 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 Matter(s) paragraph in the auditor’s report, and the form and placement of such paragraphs.
4. **The auditor’s report should contain a clear expression of the auditor’s opinion on the financial statements.**

Forming an Opinion on the Financial Statements

5. **The auditor should evaluate the conclusions drawn from the audit evidence obtained as the basis for forming an opinion on the financial statements.**
6. When forming an opinion on the financial statements, the auditor evaluates whether, based on the audit evidence, reasonable assurance has been obtained about whether the financial statements taken as a whole are free from material misstatement. This involves concluding

whether sufficient appropriate audit evidence has been obtained to reduce to an acceptably low level the risks of material misstatement of the financial statements¹ and evaluating the effects of uncorrected misstatements identified.²

7. The auditor evaluates whether the financial statements adequately refer to or describe the applicable financial reporting framework. The auditor also evaluates whether the financial statements have been prepared and presented in accordance with the specific requirements of the applicable financial reporting framework. This evaluation includes considering whether, in view of the specific requirements of the applicable financial reporting framework:
 - (a) The financial statements adequately disclose the significant accounting policies selected and applied, and significant interpretations by management of regulatory or legal requirements. In jurisdictions where the applicable financial reporting framework is so codified as to preclude a choice of accounting policies or significant interpretations by management, a reference to the applicable financial reporting framework may suffice;
 - (b) The accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;
 - (c) The accounting estimates made by management are reasonable;
 - (d) The information presented in the financial statements is relevant, reliable, comparable and understandable;
 - (e) The financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements, for example, in the case of financial statements prepared and presented in accordance with many general purpose frameworks, the entity's financial position, financial performance and cash flows; and
 - (f) The terminology used in the financial statements, including their titles, is appropriate.
8. Forming an opinion on financial statements prepared and presented in accordance with a fair presentation framework also involves evaluating whether those financial statements achieve fair presentation. The auditor considers the overall presentation, structure and content of the financial statements. The auditor also considers whether the financial statements, including the related explanatory notes, faithfully represent the underlying transactions and events in a manner that achieves fair presentation.
9. There may be cases where the financial statements, although prepared and presented in accordance with the specific requirements of a fair presentation framework, do not achieve fair presentation. Where this is the case, management has a responsibility to provide

¹ See ISA 330, "The Auditor's Procedures in Response to Assessed Risks."

² See ISA 450, "Evaluation of Misstatements Identified during the Audit."

disclosures beyond the specific requirements of the framework or, in extremely rare circumstances, to depart from a specific requirement in the framework to achieve fair presentation of the financial statements, as explained in ISA 200, “Objective and General Principles Governing an Audit of Financial Statements.” If management does not do so, the auditor considers the need to modify the opinion in the auditor’s report in accordance with ISA 705.

10. When ~~the auditor has determined that~~ financial statements are prepared and presented in accordance with a compliance framework, are which is acceptable in the circumstances of the entity, it will be extremely rare for the auditor to consider such financial statements to be misleading. However, if the auditor encounters such extremely rare circumstances (i.e., where, in the auditor’s professional judgment, the financial statements are misleading), the auditor discusses the matter with management and considers whether, and how, to deal with the matter in the auditor’s report. The auditor’s response, if any, will depend on whether, and how, management addresses the matter in the financial statements.

Elements of the Auditor’s Report

11. 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.
12. Paragraphs 13-54 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 matters;
 - (h) Other reporting responsibilities;
 - (i) Auditor’s signature;
 - (j) Date of the auditor’s report; and
 - (k) Auditor’s address.

Title

13. **The auditor’s report should have a title that clearly indicates that it is the report of an independent auditor.**

14. 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

15. **The auditor’s report should be addressed as required by the circumstances of the engagement.**
16. 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

17. **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 or period covered by each financial statement comprising the financial statements.**
18. 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.
19. 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.
20. 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 64-68.

21. 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.
22. 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

23. **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."

24. 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 many general purpose frameworks, management is responsible for preparing financial statements that fairly present the financial position, financial performance and cash flows of the entity in accordance with those frameworks. To fulfill this responsibility, management designs and

implements internal control³ 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.

25. There may be circumstances when it is appropriate for the auditor to add to the description of management's responsibilities in paragraph 23 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
26. 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

27. **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.**
28. 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.
29. **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.**
30. The reference to the standards used conveys to the reader that the audit has been conducted in accordance with established standards.
31. **The auditor should not 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.** In accordance with ISA 200, the auditor may in exceptional circumstances judge it necessary to depart from a basic principle or an essential procedure that is relevant in the circumstances of the audit in order to achieve the objective of the audit. In such a case, the auditor is not precluded from representing compliance with ISAs, provided the departure is appropriately documented as required by ISA 230 (Revised), "Audit Documentation."
32. **The auditor's report should describe an audit by stating that:**

³ 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 23 for the description of management's responsibilities.

- (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.”

- 33. **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

- 34. **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.** ~~ISA 200 contains standards and guidance on forming the opinion on the financial statements.~~
- 35. **When expressing an unmodified opinion on financial statements prepared and presented in accordance with a fair presentation framework, 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 should state that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.**
- 36. The phrases “give a true and fair view” and “present fairly, in all material respects,” are equivalent for purposes of the ISAs. Which of these phrases is used in any particular jurisdiction is determined by the law or regulation governing the audit of financial statements in that jurisdiction, or by established practice in that jurisdiction. Where law or

regulation requires the use of different wording, the auditor's responsibility to evaluate the fair presentation of financial statements prepared and presented in accordance with a fair presentation framework is the same.

37. The auditor's opinion states that the financial statements give a true and fair view of or present fairly, in all material respects, the information that the financial statements are designed to present (which is determined by the financial reporting framework). For example, in the case of a complete set of financial statements prepared in accordance with many financial reporting frameworks, the auditor expresses an opinion that the financial statements give a true and fair view of or ~~are~~ presented 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.
38. **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.**
39. 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 ..."
40. 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.
41. When the applicable financial reporting framework encompasses financial reporting standards supplemented by legal or 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."

 (ISA 210, "Terms of Audit Engagements" contains standards and guidance for circumstances where there are conflicts between the financial reporting standards and the legislative or regulatory requirements.)

Other Matters

42. 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. ISA 706 contains standards and guidance for other matter(s) paragraphs in the auditor's report.

Other Reporting Responsibilities

43. 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.
44. 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.
45. **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.**
46. 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

47. **The auditor's report should be signed.**
48. 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

49. **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.**
50. 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."

51. 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.
52. 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.⁴ 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.
53. 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

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

Auditor's Report

55. **The auditor's report should be in writing.**
56. A written report encompasses both reports issued in hard copy format and those using an electronic medium.
57. The Appendix contains examples illustrations of auditors' reports on general purpose financial statements, incorporating the elements set forth above.

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

58. The auditor may conduct the audit in accordance with both the ISAs and the auditing

⁴ 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.

standards of a specific jurisdiction or country (for purposes of this ISA referred to as “national auditing standards”).

59. [As required in paragraph 31](#), ~~the~~ auditor’s report ~~should~~ refers 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.
60. 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 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~~ [570, “Going Concern”](#) 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.
61. **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.**
62. **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.**
63. 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 62 – 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

64. **The auditor should be satisfied that any supplementary information presented together with the financial statements that is not covered by the auditor's opinion is clearly differentiated from the audited financial statements.**
65. As noted in paragraphs 20-21, 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

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.

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.

66. As noted in paragraph 19, 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. This helps readers differentiate the financial statements from other information not covered by the auditor's opinion.
67. **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.**
68. 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."

Effective Date

69. 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.]

Appendix

Examples–Illustrations of Auditors’ Reports on General Purpose Financial Statements

- Example–Illustration 1: An auditor’s report on a complete set of financial statements prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users (e.g., IFRSs).
- Example–Illustration 2: An auditor’s report on a complete set of financial statements prepared in accordance with a compliance framework designed to meet the common financial information needs of a wide range of users.
- Example–Illustration 3: An auditor’s report on a single financial statement prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users.

Example Illustration 1:

Circumstances include the following:

- **Audit of a complete set of financial statements.**
- **The financial statements are prepared for a general purpose by the management of the entity in accordance with International Financial Reporting Standards.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Statements⁶

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

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.

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.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 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]

⁷ 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.”

Example Illustration 2:

Circumstances include the following:

- **Audit of a complete set of financial statements required by law or regulation.**
- **The financial statements are prepared for a general purpose by the management of the entity in accordance with the Financial Reporting Framework (XYZ Law) of Country X (i.e., a financial reporting framework, encompassing law or regulation, designed to meet the common financial information needs of a wide range of users, but which is not a fair presentation framework).**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

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 presentation of these financial statements in accordance with XYZ Law of Country X. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and 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 of 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 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. 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 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 of ABC Company are prepared, in all material respects, in accordance with XYZ Law of Country X.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Example Illustration 3:

Circumstances include the following:

- **Audit of a balance sheet (i.e., a single financial statement).**
- **The balance sheet has been prepared by the management of the entity in accordance with the requirements of the Financial Reporting Framework in Country X relevant to preparing and presenting a balance sheet (for purposes of this example illustration a fair presentation financial reporting framework designed to meet the common financial information needs of a wide range of users).**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying balance sheet of ABC Company as at December 31, 20X1 and a summary of significant accounting policies and other explanatory notes (together “the financial statement”).

Management’s Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with those requirements of the Financial Reporting Framework in Country X relevant to preparing and presenting such a financial statement. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statement that is 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 the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

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 statement presents fairly, in all material respects, the financial position of ABC Company as at December 31, 20X1 in accordance with those requirements of the Financial Reporting Framework in Country X relevant to preparing and presenting such a financial statement.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]