Mapping Document:
International Auditing Practice Statement (IAPS) 1014
Reporting by Auditors on Compliance with International Financial Reporting Standards

	Introduction	**Comment**
1	ISA 200, "Objective and General Principles Governing an Audit of Financial Statements" states that the objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. ISA 700, "The Auditor's Report on Financial Statements"[1] establishes standards and provides guidance on the form and content of the auditor's report. In particular, paragraph 17 of ISA 700 requires that the auditor's report clearly indicate the financial reporting framework used to prepare the financial statements. The purpose of this International Auditing Practice Statement (IAPS) is to provide additional guidance when the auditor expresses an opinion on financial statements that are asserted by management to be prepared: (a) Solely in accordance with International Financial Reporting Standards (IFRSs); (b) In accordance with IFRSs and a national financial reporting framework; or (c) In accordance with a national financial reporting framework with disclosure of the extent of compliance with IFRSs.	Paragraph deleted. With the integration into ISA 700 (Redrafted), this introductory wording is unnecessary. Comparable guidance to 1014 has been incorporated in proposed ISA 700 (Redrafted). See paragraphs A3-A11 and A29-A35.
	The guidance provided in this IAPS may be applied, adapted as necessary, to reporting on whether financial statements have been prepared in accordance with financial reporting frameworks other than IFRSs (for example, financial statements that are asserted by management to be prepared in accordance with two different national financial reporting frameworks). This IAPS does not establish any new requirements for the audit of financial statements, nor does it establish any exemptions from the requirements of ISA 700.	Paragraphs A11 an A35 of proposed ISA 700(Redrafted) make the point that, where the applicable financial reporting framework is described by reference to an established financial reporting framework other than IFRS, similar considerations apply.
	Financial Statements Prepared Solely in Accordance with International Financial Reporting Standards	

[1] See page 849 of the Handbook of International Auditing, Assurance, and Ethics Pronouncements: ISA 700, "The Auditor's Report on Financial Statements," was withdrawn in December 2006 when ISA 700, "The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements" and ISA 701, "Modifications to the Independent Auditor's Report" became effective.

2	Examples have arisen of entities stating that their financial statements have been prepared in accordance with IFRSs when, in fact, they have not complied with all the requirements that IFRSs impose. International Accounting Standard (IAS) 1, "Presentation of Financial Statements" sets out the requirements to be met before an entity's financial statements can be regarded as having been prepared in accordance with IFRSs. In particular, it makes clear that financial statements should not be described as complying with IFRSs unless they comply with all the requirements of IFRSs. Examples such as the following descriptions of the basis on which the financial statements have been prepared illustrate financial statements that have not been prepared in accordance with IFRSs: • The financial statements indicate that they have been prepared in accordance with IFRSs but then go on to specify certain material departures. For example, a note describing the accounting polices used states that the financial statements are prepared in accordance with IFRSs except for the non-disclosure of sales for geographical segments. • The financial statements identify specific IFRS requirements that the entity uses to prepare the financial statements, but these do not include all the requirements that are applicable to an entity fully complying with IFRSs. • The financial statements indicate partial compliance with IFRSs without reference to specific departures. For example, a note describing the accounting policies used states that the financial statements are "based on," or "comply with the significant requirements of" or "are in compliance with the accounting requirements of" IFRSs.	Paragraph deleted. Principles addressed in paragraphs A3-A5 of proposed ISA 700 (Redrafted).
3	An unqualified opinion may be expressed only when the auditor is able to conclude that the financial statements give a true and fair view (or are presented fairly, in all material respects) in accordance with the applicable financial reporting framework. In all other circumstances, the auditor is required to disclaim an opinion or to issue a qualified or adverse opinion depending on the nature of the circumstances. Accordingly, the auditor does not express an unqualified opinion that indicates that financial statements have been prepared in accordance with IFRSs if the financial statements contain any departure from IFRSs and the departure has a material effect on the financial statements.[2]	Paragraph deleted. Principles addressed in requirements (and related application material) in the Forming an Opinion (paragraphs 8-13) and Form of Opinion (paragraphs 14-17) sections of proposed ISA 700 (Redrafted).

[2] International Accounting Standards (IAS) 1, "Presentation of Financial Statements" states that in the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard or an Interpretation would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, the entity shall depart from that requirement in the manner set out in IAS 1 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure. A departure from the requirements of a particular International Financial Reporting Standard (IFRS) made under the provisions of IAS 1 does not constitute a departure from IFRSs for this purpose.

	When the auditor reports on whether the financial statements have been prepared in accordance with IFRSs and the financial statements contain a material departure from IFRSs, such a departure results in a disagreement with management regarding the acceptability of the accounting policies selected, the method of their application, or the adequacy of disclosures in the financial statements. Paragraphs 36-40 of ISA 700[3] provide guidance for deciding whether a qualified opinion or an adverse opinion is necessary and on the information to be included in the auditor's report.	
4	If the auditor's report contains any qualifying or limiting language when describing the financial reporting framework, it does not meet the requirement in paragraph 17 of ISA 700 that the auditor's report clearly indicate the financial reporting framework used to prepare the financial statements. For example, an opinion paragraph that indicates "the financial statements give a true and fair view and are in substantial compliance with International Financial Reporting Standards" does not meet the requirements of ISA 700.	Paragraph deleted. Proposed ISA 700 (Redrafted) does not include the example in IAPS 1014.4; however, it clearly explains how the financial reporting framework should be described in the auditor's report (see paragraphs 12, A3-A11 and 32-34, A29-A35).
	Financial Statements Prepared in Accordance with International Financial Reporting Standards and a National Financial Reporting Framework	
5	A6. ~~A note describing the accounting polices used may state that~~ In ~~s~~some cases, the financial statements may represent that they ~~have been~~ are prepared and presented in accordance with two financial reporting frameworks (~~both IFRSs and a~~ for example, the national ~~financial reporting~~ framework and International Financial Reporting Standards). This may be because management is required, or has chosen, to prepare the financial statements in accordance with both financial reporting frameworks, in which case both are applicable financial reporting frameworks. ~~For financial statements to have been prepared in accordance with more than one financial reporting framework, they must~~ Such description is appropriate only if the financial statements comply with each of the ~~indicated~~ frameworks individually. ~~A set of financial statements that has been prepared in accordance with one financial reporting framework and that contains a note or supplementary statement reconciling the results to those that would be shown under another financial reporting framework has not been prepared in accordance with that other framework. This is because the financial statements do not include all the information in the manner required by that other framework.~~ To be regarded as being prepared in accordance with both frameworks, ~~T~~the financial statements ~~must~~ need to comply with both ~~financial reporting~~ frameworks simultaneously and without any need for	Text was revised (as indicated in mark-up) and included as paragraphs A6 and A7 of proposed ISA 700 (Redrafted).

[3] See footnote 1.

	reconciling statements ~~if they are to be regarded as having been prepared in accordance with both~~. In practice, simultaneous compliance ~~with both IFRSs and a national financial reporting framework~~ is unlikely unless the country has adopted the other framework (for example, ~~IFRSs~~ International Financial Reporting Standards) as its own national financial reporting framework, or has eliminated all barriers ~~for~~ to compliance with ~~IFRSs~~ it. A7. Financial statements that are prepared and presented in accordance with one financial reporting framework and that contain a note or supplementary statement reconciling the results to those that would be shown under another framework, are not prepared and presented in accordance with that other framework. This is because the financial statements do not include all the information in the manner required by that other framework.	
6	It is helpful for the auditor to discuss financial statements that state they have been prepared in accordance with IFRSs and a national financial reporting framework with management and those charged with governance. The purpose of the discussion is to advise management and those charged with governance of the possibility of a qualified opinion or adverse opinion on compliance with one or both of the financial reporting frameworks, given that the ability to simultaneously comply fully with IFRSs and a national financial reporting framework is unlikely. In these situations, the auditor encourages management to prepare the financial statements in accordance with only one financial reporting framework, taking into consideration any requirements of relevant laws and regulations. The auditor's report is then worded in terms of whether the financial statements have been prepared in accordance with that financial reporting framework	Paragraph deleted. Paragraph is less relevant in the current environment where many countries are adopting International Financial Reporting Standards as its own national financial reporting framework or are eliminating barriers to compliance with it.
7	A32. As indicated in paragraph A6, the financial statements may be prepared and presented in accordance with two financial reporting frameworks, which are therefore both applicable financial reporting frameworks. ~~If management insists on indicating that the financial statements have been prepared in accordance with both IFRSs and a national financial reporting framework, the auditor's report~~ In such circumstances, each framework is considered separately when forming the auditor's opinion on the financial statements, and the auditor's opinion in accordance with paragraphs 32 and 33 refers to both frameworks as follows~~.~~: (a) ~~However, the auditor considers each financial reporting framework separately.~~ If the auditor concludes that the financial statements comply with each of the frameworks individually, the auditor expresses two opinions: that is that the financial statements are prepared and presented in accordance with one of the applicable financial reporting frameworks (for example, the national framework) and a separate opinion that the financial statements are prepared	Text was revised (as indicated in mark-up) and included as paragraph A32 of proposed ISA 700 (Redrafted).

	and presented in accordance with the other applicable financial reporting framework (for example, International Financial Reporting Standards). (b) If ~~a matter results in failure to~~ the financial statements comply with one of the frameworks~~,~~ but ~~does not cause a failure~~ fails to comply with the other framework, ~~then the auditor expresses~~ an ~~unqualified~~ unmodified opinion ~~on compliance with that~~ can be given that the financial statements are prepared and presented in accordance with the one framework (for example, the national framework) ~~and~~ but a ~~qualified~~ modified opinion ~~or an adverse opinion on compliance with the one~~ given with regard to the other framework (for example, International Financial Reporting Standards) in accordance with [proposed] ISA 705 (Revised and Redrafted). (c) If ~~the auditor is of the opinion that the~~ failure to comply with one of the ~~financial reporting~~ frameworks causes the financial statements to fail to comply with the other ~~financial reporting~~ framework, ~~the auditor issues~~ a ~~qualified~~ modified opinion ~~or adverse opinion on compliance~~ with regard to both of the frameworks is needed in accordance with [proposed] ISA 705 (Revised and Redrafted). ~~An illustration of an auditor's report where the auditor is of the opinion that the financial statements comply, in all material respects, with the national financial reporting framework, but judges a qualified opinion is appropriate for compliance with IFRSs follows:~~ ~~"Note X to the financial statements indicates that the financial statements have been prepared in accordance with [relevant national financial reporting framework] and International Financial Reporting Standards. As discussed in Note Y to the financial statements, the Company has investment properties in the amount of $X that are carried at cost less accumulated depreciation. This accounting is required by [relevant national financial reporting framework] and permitted by International Financial Reporting Standards. The fair value of these investment properties of $X has not been disclosed. Such disclosure is not required by [relevant national financial reporting framework], but is required by International Financial Reporting Standards.~~ ~~In our opinion, the financial statements give a true and fair view of (or 'present fairly, in all material respects') the financial position of the Company as of December 31, 20X1, and of its financial performance and its cash flows for the year then ended in accordance with [title of national financial reporting framework with reference to the country of origin] (and comply with [refer to relevant statutes or law]), and, except for the effect on the financial statements~~	

	~~of the matter referred to in the preceding paragraph, the financial statements give a true and fair view of (or 'present fairly, in all material respects') the financial position of the 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.~~	
	Financial Statements Prepared in Accordance with a National Financial Reporting Framework with Disclosure of the Extent of Compliance with International Financial Reporting Standards	
8	Entities that prepare their financial statements in accordance with a national financial reporting framework may disclose additionally, in the notes to those financial statements, the extent to which they comply with IFRSs. Management may, for example, consider such additional disclosures to be desirable when the entity is required to comply with IFRSs at a future date and management wishes to provide readers of the financial statements with an indication of progress towards that compliance. In these circumstances, the auditor considers whether assertions made in the notes to the financial statements with respect to the extent of such compliance are accurate and not misleading. The auditor then considers the effect of that disclosure on the auditor's report	Paragraph deleted. However, underlying principles reflected; see paragraph A8 of proposed ISA 700 (Redrafted), which reads as follows: "The financial statements may, however, be prepared in accordance with one applicable financial reporting framework and, in addition, describe in the notes to the financial statements the extent to which the financial statements comply with another framework (for example, financial statements prepared and presented in accordance with the national framework that also describe the extent to which they comply with International Financial Reporting Standards). Such description is supplementary financial information and, as discussed in paragraph A49, is considered an integral part of the financial statements and, accordingly, is covered by the auditor's opinion."
9	A note to the financial statements containing disclosure about compliance with IFRSs is treated no differently from any other note to the financial statements. All such notes contain management assertions and the auditor obtains sufficient appropriate audit evidence to support the assertions. If the note contains a reference to compliance with IFRSs, the auditor considers whether the note is appropriate. In some cases, the auditor may conclude that the note contains misleading information such that the financial statements fail to comply with the national financial reporting framework. This is likely to be the case in circumstances where the reference to compliance	Paragraph deleted, however, underlying principles retained. See comments to paragraphs 8 and 10-11 below. See also the requirements and guidance on supplementary information broadly in paragraphs 43 and A 48-49 of proposed ISA 700 (Redrafted).

	with IFRSs misleads readers of the financial statements because it contains materially inaccurate information or incomplete information that is material and pervasive to the financial statements (for example, the lack of compliance with a particular IFRS that is material and pervasive to the financial statements may result in the disclosure being misleading, unless there is adequate disclosure, including quantification of the effects on the financial statements.	
10	A33. As indicated in paragraph A8, the financial statements may represent compliance with the applicable financial reporting framework and, in addition, disclose the extent to which they comply with a framework other than the applicable financial reporting framework. (a) If the auditor concludes that the financial statements fail to comply with the ~~national~~ applicable financial reporting framework because the disclosure~~s~~ as to the compliance with ~~IFRSs are~~ the other framework is misleading, ~~the auditor's report expresses a qualified or an adverse~~ a modified opinion would be expressed in accordance with [proposed] ISA 705 (Revised and Redrafted). ~~An illustration of a qualified opinion that may be given in such circumstances follows:~~ ~~In our opinion, except for the inclusion of the reference to compliance with IFRSs, the financial statements give a true and fair view of (or 'present fairly, in all material respects') the financial position of the Company as of December 31, 20X1, and of it financial performance and its cash flows for the year then ended in accordance with [title of national financial reporting framework with reference to the country of origin] (and comply with [refer to relevant statutes or law]).~~"	Text was revised (as indicated in mark-up) and included as paragraph A33 of proposed ISA 700 (Redrafted).
11	(b) ~~A note to the financial statements containing disclosure about compliance with IFRSs may~~ If the auditor concludes that the disclosure is not ~~contain~~ misleading ~~information such that the financial statements fail to comply with the national financial reporting framework. If the auditor is of the opinion that a reference to compliance with IFRSs is not misleading, the auditor may express an unqualified opinion on compliance with the national financial reporting framework. In certain circumstances~~, the auditor may nevertheless decide to ~~modify the auditor's report by~~ add~~ding~~ an ~~e~~Emphasis of ~~m~~Matter paragraph in accordance with [proposed] ISA 706 (Revised and Redrafted), ~~to highlight the note that references compliance with IFRSs~~ drawing attention to the disclosure, if such disclosure is significant.[4] ~~The use of an emphasis of matter paragraph is not a substitute for issuing a qualified opinion or adverse opinion on compliance with the national financial reporting~~	Text was revised (as indicated in mark-up) and included as paragraph A33 of proposed ISA 700 (Redrafted).

[4] ISA 701, "Modifications to the Independent Auditor's Report" provides additional guidance on the use of an emphasis of matter paragraph.

	~~framework when disclosures as to compliance with IFRSs are misleading such that the financial statements fail to comply with the national financial reporting framework.~~	
		NEW Guidance has been added in paragraph A31 of proposed ISA 700 (Redrafted) that it is desirable that the auditor's opinion describes the applicable financial reporting framework in similar terms to those used by management to describe the framework in the financial statements.
		NEW In addition, new guidance has been introduced in paragraphs A9-A10 and A34 of proposed ISA 700 (Redrafted) regarding circumstances when a framework is described by reference to IFRS even though the framework is such that management cannot make an explicit and unreserved statement that the applicable financial reporting framework complies with IFRS. These circumstances are a new development since IAPS 1014 was released.