

## Applying the IAASB's Improvements to Auditors' Reports in National Environments

*This Appendix highlights how the IAASB's proposals could be tailored to accommodate national financial reporting regimes. It should be read in conjunction with this ITC, in particular, the illustrative auditor's report on pages 7-10.*

*Unless otherwise required by laws or regulations, the ordering of the following mandatory elements would be specified in the ISAs in a manner consistent with the ordering in the illustrative auditor's report.*

*The information in this Appendix is not intended to represent the specific wording of requirements that may be included in a revised ISA 700, nor is it intended to illustrate the full extent to which jurisdictions, in particular national standards setters, might be able to tailor the sections headings and content of revised ISA auditors' reports. It is intended primarily for national standard setters and others with an interest in understanding how the IAASB's "Building Blocks" approach might operate in practice, and in commenting thereon.*

<b>Mandatory Elements of an Improved ISA Auditor's Report</b>	<b>Opportunities for Tailoring at the National Level</b>
A <b>title</b> that clearly indicates that it is the report of an independent auditor	<ul style="list-style-type: none"> <li>• Tailoring for greater specificity</li> </ul>
An <b>addressee</b> , as required by the circumstances of the engagement	<ul style="list-style-type: none"> <li>• Tailoring for greater specificity</li> </ul>
A heading " <b>Report on the Financial Statements</b> "	<ul style="list-style-type: none"> <li>• Eliminating the title when there are no Other Reporting Responsibilities required by local laws or regulations to be presented</li> <li>• Tailoring the title, if laws or regulation require information related to the audit of the financial statements to be integrated with Other Reporting Responsibilities (see also Other Reporting Responsibilities below)</li> </ul>
A section with a heading " <b>Opinion</b> " that includes the information required by the ISAs (for example, identification of the entity whose financial statements have been audited, identification of the title of each statement that comprises the financial statements and, if applicable, reference to the notes to the financial statements, including a summary of significant accounting policies and other explanatory information)	<ul style="list-style-type: none"> <li>• Tailoring the wording of the auditor's opinion to align with laws and regulations, or applicable financial reporting framework of the particular jurisdiction</li> </ul>

<b>Mandatory Elements of an Improved ISA Auditor’s Report</b>	<b>Opportunities for Tailoring at the National Level</b>
<p>A section with a heading “<b>Basis for Opinion</b>” that includes the matters presented in the illustrative auditor’s report, for example, a statement that the financial statements have been audited in accordance with ISAs, or other standards that are in conformity with the ISAs; and a statement of compliance with relevant ethical requirements applicable to financial statement audits, including independence requirements</p>	<ul style="list-style-type: none"> <li>• Tailoring for greater specificity with respect to:               <ul style="list-style-type: none"> <li>○ Whether national auditing standards are in conformity with the ISAs</li> <li>○ The identification of the particular ethical code(s) with which the auditor is required to comply, including statements about the auditor’s independence</li> <li>○ Information about non-compliance with relevant ethical requirements</li> </ul> </li> </ul>
<p>A section with a heading “<b>Going Concern</b>” that includes a:</p> <ul style="list-style-type: none"> <li>• Conclusion on the appropriateness of management’s use of the going concern assumption</li> <li>• Statement about whether material uncertainties have been identified, or an Emphasis of Matter paragraph when material uncertainties are identified and appropriately disclosed in the financial statements</li> <li>• Description of management’s responsibilities for going concern in accordance with the applicable financial reporting framework, including the use of the going concern assumption and disclosures relating to material uncertainties</li> </ul>	<ul style="list-style-type: none"> <li>• Tailoring language to reflect management’s specific responsibilities under the applicable financial reporting framework with respect to:               <ul style="list-style-type: none"> <li>○ Disclosure of material uncertainties related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.</li> <li>○ The use of the going concern assumption</li> </ul> </li> <li>• Aligning the terminology and related definitions with respect to going concern to the applicable financial reporting framework. For example, some jurisdictions use terms such as “significant uncertainty” or “substantial doubt” as opposed to “material uncertainty”</li> </ul>
<p>For audits of public interest entities, a section with a heading “<b>Auditor Commentary</b>” that includes:</p> <ul style="list-style-type: none"> <li>• Introductory language describing the objective of Auditor Commentary and stating that the auditor’s procedures relating to the matters addressed in Auditor Commentary are not designed for the purpose of expressing an opinion on individual accounts or disclosures and the auditor’s opinion is not modified in respect of these matters</li> <li>• Description of those matters that, in the auditor’s judgment, are likely to be most important to users’ understanding of the audited financial</li> </ul>	<ul style="list-style-type: none"> <li>• Requiring specific matters or information to be addressed through Auditor Commentary to achieve national requirements that meet the overall objective of Auditor Commentary (for example, the use of a “justification of assessments” model, or a reference to a report issued by those charged with governance and a statement about the reasonableness and completeness of that report). In such cases, the title “Auditor Commentary” may also need to be tailored.</li> <li>• Defining PIEs as appropriate based on the circumstances in their particular jurisdiction</li> <li>• Determining whether to require Auditor Commentary for entities other than</li> </ul>

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<p>statements or the audit, with appropriate titles included for each matter</p> <ul style="list-style-type: none"> <li>For non-PIEs, such Auditor Commentary would be included at the discretion of the auditor</li> </ul>	<p>PIEs</p> <ul style="list-style-type: none"> <li>Providing guidance in the ordering of or titles for the individual matters within Auditor Commentary</li> </ul>
<p>When applicable, a section with a heading "<b>Other Information</b>" that includes:</p> <ul style="list-style-type: none"> <li>Specific identification of the other information read</li> <li>A statement that no material inconsistencies have been identified based on the auditor's reading of other information or an Other Matters paragraph when material inconsistencies were identified but not corrected</li> <li>Language describing that the auditor has not audited the other information and does not express an opinion on it</li> </ul>	<ul style="list-style-type: none"> <li>Tailoring for greater specificity with respect to additional auditor responsibilities for other information that are required by laws or regulations (for example, review of the Directors' Report)</li> </ul>
<p>A section with a heading "<b>Respective Responsibilities of Management, Those Charged with Governance, and the Auditor</b>" that includes a:</p> <ul style="list-style-type: none"> <li>A description of the responsibilities of management, and those charged with governance (or other term that is appropriate in the context of the legal framework in the particular jurisdiction) that would address the matters presented in the illustrative auditor's report on page 9, (for example, the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework)</li> <li>A description of the auditor's responsibilities in accordance with ISAs. Such a description would address the matters presented in the illustrative report on pages 9-10, (for example: descriptions of the purpose of an audit with a reference to the terms reasonable assurance and material misstatements, auditor's responsibilities with</li> </ul>	<ul style="list-style-type: none"> <li>Tailoring for greater specificity the description of the respective responsibilities of management, and those charged with governance, based on national laws and regulations or entity type. For example, the responsibilities of those charged with governance for the appointment, compensation and oversight of the auditor's work could be described</li> <li>Repositioning parts of this section to a location outside of the auditor's report (for example, a national standard setter's website) and appropriately incorporating it by reference in the auditor's report</li> </ul>

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respect to internal control and fraud, a statement about the auditor’s communications with those charged governance)	
A section with a heading “ <b>Report on Other Legal and Regulatory Requirements</b> ” that includes a discussion of other reporting requirements that go beyond the requirements of an ISA audit	<ul style="list-style-type: none"> <li>• Removing this section if laws or regulation require information related to Other Reporting Responsibilities to be integrated with the audit of the financial statements in accordance with the ISAs</li> <li>• Tailoring the title, if laws, regulation or national standards require Other Reporting Responsibilities that go beyond the requirements of a financial statement audit conducted in accordance with the ISAs</li> </ul>
A <b>signature</b> either in the name of the audit firm, the personal name of the auditor or both, as appropriate for the particular jurisdiction	<ul style="list-style-type: none"> <li>• Tailoring for greater specificity</li> </ul>
A statement that includes <b>identification of the engagement partner</b> , in particular the name of the engagement partner responsible for the audit resulting in the auditor’s report	<ul style="list-style-type: none"> <li>• Tailoring for greater specificity with respect to identifying the engagement partner responsible for the audit (for example, requiring auditor licensing information)</li> <li>• Tailoring in situations where national requirements require engagement partner signature</li> </ul>
The auditor’s <b>address</b>	<ul style="list-style-type: none"> <li>• Tailoring for greater specificity</li> </ul>
A <b>date</b> that is no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor’s opinion on the financial statements in accordance with the ISAs	<ul style="list-style-type: none"> <li>• Tailoring for greater specificity with respect to the dating of the auditor’s report as appropriate to the respective jurisdiction</li> </ul>