

Proposed Conforming Amendments to Other ISAs

Introduction

1. ED-720 (2014)¹ included proposed conforming amendments to ISA 210,² ISA 230,³ ISA 260 (Revised),⁴ ISA 450,⁵ ISA 500,⁶ ISA 560,⁷ ISA 700,⁸ and ISA 810⁹.
2. In September 2014, the IAASB approved the Auditor Reporting standards at its September 2014 meeting,¹⁰ noting that some sections were marked in **grey highlight** to show that these paragraphs would be amended when ISA 720 (Revised) was approved.
3. This document outlines the conforming amendments proposed by the Task Force in response to both comments received on to the Auditor Reporting ISAs as recommended by the ISA 720 Task Force.

Conforming Amendments Proposed by the ISA 720 Task Force

4. Conforming amendments are proposed to the following ISAs (**see Section A below**). A brief outline of the rationale for each change is included for each ISA.
 - ISA 210;
 - ISA 230;
 - ISA 260 (Revised);
 - ISA 450;
 - ISA 500;
 - ISA 560;
 - ISA 580;¹¹ and
 - ISA 700 (Revised).

Conforming Amendments to the 800-Series of ISAs

5. A separate paper will be provided to the Board addressing conforming amendments to ISA 800, ISA 805, and ISA 810.

¹ Exposure Draft of Proposed ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information

² ISA 210, *Agreeing the Terms of Audit Engagements*

³ ISA 230, *Audit Documentation*

⁴ ISA 260 (Revised), *Communication with Those Charged with Governance*

⁵ ISA 450, *Evaluation of Misstatements Identified during the Audit*

⁶ ISA 569, *Subsequent Events*

⁷ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

⁸ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

⁹ ISA 810, *Engagements to Report on Summary Financial Statements*

¹⁰ Subject to PIOB approval of the due process.

¹¹ ISA 580, *Written Representations*

Illustrative Reports

6. In addition to the changes to requirements and application material, the proposed reporting requirements in proposed ISA 720 (Revised) necessitates conforming amendments to the illustrative auditor's reports throughout the ISAs. **Section B** below discusses the Task Force's proposals in this regard.

Glossary of Terms

7. The Glossary of Terms will also be updated when the IAASB Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements is next revised to incorporate the revised definitions from proposed ISA 720 (Revised) and make other changes as necessary. The definitions in the Glossary that are affected are the definitions of "annual report," "audit evidence," "misstatement of fact" (which is being deleted), "misstatement of the other information," "other information," and "inconsistency" (which is also being deleted).

Section A: Conforming Amendments to Requirements and Application Material of Other ISAs

8. Section A contains the ISA 720 Task Force's proposed conforming amendments to other ISAs. Conforming amendments that were proposed in ED-720 (2014) are shown with underline and ~~strikethrough~~, as appropriate. New conforming amendments, or changes to conforming amendments proposed in ED-720 (2014) are shown with **grey highlight**, in addition to underline or strikethrough.

Section A-1: Conforming Amendments to ISA 210, Agreeing the Terms of Audit Engagements

9. The proposed conforming amendments to ISA 210 are intended to:
 - Highlight to management the auditor's responsibilities relating to other information obtained after the date of the auditor's report.
 - Provide, via the illustrative engagement letter, an example of how the auditor may request management's co-operation in determining which documents comprise the annual report, and management's commitment to providing such documents to the auditor in a timely manner, when available. The illustrative engagement letter also may include reference to the auditor's reporting responsibilities under proposed ISA 720 (Revised).

[NB – This paragraph has been included for reference purposes only]

6(b)(iii)(b)

In order to establish whether the preconditions for an audit are present, the auditor shall:...obtain the agreement of management that it acknowledges and understands its responsibility...to provide the auditor with...additional information that the auditor may request from management for the purposes of the audit.

....

Additional Information (Ref: Paragraph 6(b)(iii)(b))

A19A. Additional information that the auditor may request from management for the purpose of the audit may include when applicable, matters related to other information required to be obtained in accordance with ISA 720 (Revised). When the auditor expects to obtain other information after the date of the auditor's report, the terms of the audit engagement may also acknowledge the auditor's responsibilities relating to such other information and describe the actions that may be

appropriate or necessary if the auditor determines that a material misstatement of the other information exists in other information obtained after the date of the auditor's report.

Appendix 1

Example of an Audit Engagement Letter

...

As part of our audit process, we will request from [management and, where appropriate, those charged with governance], written confirmation concerning representations made to us in connection with the audit.

[Other Information¹²]

[In connection with our audit of the financial statements, our responsibility is to read the *[other information in the entity's annual report]*,¹³ and in doing so, consider whether there are indications that the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We will request that management provide us with information about the document(s) that comprise the entity's *[annual report]*,¹³ the planned manner and timing of the issuance of these documents, as well as providing us with the final version of these documents as soon as they are available and, if possible, prior to the date of our auditor's report.]

[When some or all of the other information will be made available after the date of our auditor's report, we will request that management provide a written representation that the final version of such information is provided to us when available and prior to issuance by the entity. In addition, *[insert description of actions that may be appropriate or necessary if we determine that a material misstatement of the other information exists in the other information obtained after the date of our auditor's report.]*

...

[Reporting]

[Insert appropriate reference to the expected form and content of the auditor's report including, if applicable, the reporting ~~requirements regarding~~ other information in accordance with ISA 720 (Revised).]

The form and content of our report may need to be amended in the light of our audit findings.

Section A-2: Conforming Amendments to ISA 230, Audit Documentation

10. The proposed conforming amendments to ISA 230 are intended to amend the list of specific documentation requirements to refer to the ISA 720 documentation requirements. The previous conforming amendment to paragraph A24 of ISA 230 has been deleted as ISA 720 paragraph 24 now makes it clear that ISA 230 applies when documenting procedures performed to address the requirements of ISA 720.

[NB – As noted above, the ISA 720 Task Force recommends that A24 not be amended which means that the conforming amendments proposed in ED-720 (2014) will be reversed. The text below shows first the clean text of paragraph A24 as proposed in ED-720 (2014), then it shows the Task Force's recommendation to revert to extant paragraph A24.]

¹² The section addressing other information may be

¹³ Use terminology appropriate in the circumstances.

[Paragraph A24 as shown in ED-720 (2014) (No marked changes are shown)]

A24. Examples of a circumstances in which the auditor may find it necessary to modify existing audit documentation or add new audit documentation after file assembly has been completed include:

- When clarifying existing audit documentation in response to comments received during monitoring inspections performed by internal or external parties.
- When, in accordance with ISA 720 (Revised),¹⁴ the auditor is required to retain in the audit documentation the final version of other information received after the date of the auditor's report.

[Task Force's recommendation: revert to extant paragraph A24 as shown below]

A24. An example of circumstances in which the auditor may find it necessary to modify existing audit documentation or add new audit documentation after file assembly has been completed is the need to clarify existing audit documentation arising from comments received during monitoring inspections performed by internal or external parties.

...

Appendix
(Ref: Para. 1)

Specific Audit Documentation Requirements in Other ISAs

This appendix identifies paragraphs in other ISAs that contain specific documentation requirements. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

...

- ISA 610 (Revised), *Using the Work of Internal Auditors* – paragraph 24
- ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information* – paragraph 24

Section A-3: Conforming Amendments to ISA 260 (Revised), Communication with Those Charged with Governance

11. The proposed conforming amendments to ISA 260 (Revised) are intended to highlight the relevant matters to be communicated with those charged with governance and to amend the appendix to refer to the required communications in proposed ISA 720 (Revised).

Matters to Be Communicated

The Auditor's Responsibilities in Relation to the Financial Statement Audit (Ref: Para. 14)

...

Planned Scope and Timing of the Audit (Ref: Para. 15)

...

A14.¹⁵ Other planning matters that it may be appropriate to discuss with those charged with governance

¹⁴ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

¹⁵ NB: the paragraph referencing in regards to ISA 260 (Revised) uses the revised paragraph numbering as approved at the September 2014 IAASB meeting.

include:

- Where the entity has an internal audit function, how the external auditor and internal auditors can work together in a constructive and complementary manner, including any planned use of the work of the internal audit function, and the nature and extent of any planned use of internal auditors to provide direct assistance.¹⁶
- The views of those charged with governance of:
 - The appropriate person(s) in the entity's governance structure with whom to communicate.
 - The allocation of responsibilities between those charged with governance and management.
 - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
 - Matters those charged with governance consider warrant particular attention during the audit, and any areas where they request additional procedures to be undertaken.
 - Significant communications with regulators.
 - Other matters those charged with governance consider may influence the audit of the financial statements.
- The attitudes, awareness, and actions of those charged with governance concerning (a) the entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control, and (b) the detection or possibility of fraud.
- The actions of those charged with governance in response to developments in accounting standards, corporate governance practices, exchange listing rules, and related matters.
- The responses of those charged with governance to previous communications with the auditor.
- The documents comprising the other information (as defined in ISA 720 (Revised)) and the planned manner and timing of the issuance of such documents when the documents are expected to be made available to the auditor. When the auditor expects to obtain other information after the date of the auditor's report, the discussions with those charged with governance may also include the actions that may be appropriate or necessary if the auditor determines that a material misstatement of the other information exists in other information obtained after the date of the auditor's report.

...

Significant Findings from the Audit (Ref: Para. 16)

...

Circumstances that Affect the Form and Content of the Auditor's Report (Ref: Para 16(d))

...

¹⁶ ISA 610 (Revised), *Using the Work of Internal Auditors*, paragraph 18, and ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, paragraph 31

A24. Circumstances in which the auditor is required or may otherwise consider it necessary to include additional information in the auditor's report in accordance with the ISAs, and for which communication with those charged with governance is required, include when:

- The auditor expects to modify the opinion in the auditor's report in accordance with ISA 705 (Revised).¹⁷
- A material uncertainty related to going concern is reported in accordance with ISA 570 (Revised).¹⁸
- Key audit matters are communicated in accordance with ISA 701.¹⁹
- The auditor considers it necessary to include an Emphasis of Matter paragraph or Other Matters paragraph in accordance with ISA 706 (Revised)²⁰ or is required to do so by other ISAs.
- The auditor has determined that there is an uncorrected material misstatement of the other information in accordance with proposed ISA 720 (Revised).²¹

In such circumstances, the auditor may consider it useful to provide those charged with governance with a draft of the auditor's report to facilitate a discussion of how such matters will be addressed in the auditor's report.

Other Significant Matters Relevant to the Financial Reporting Process (Ref: Para. 16(e))

...

A27. Other significant matters arising ~~from~~ during the audit that are directly relevant to those charged with governance in overseeing the financial reporting process may include such matters as material misstatements of ~~fact or material inconsistencies in information accompanying the audited financial statements~~ the other information that have been corrected.

...

Appendix 1

(Ref: Para. 3)

¹⁷ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, paragraph 30

¹⁸ ISA 570 (Revised), *Going Concern*, paragraph 25(d)

¹⁹ ISA 701, paragraph 17

²⁰ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraph 12

²¹ Proposed ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, paragraph 18(a)

Specific Requirements in ISQC 1 and Other ISAs that Refer to Communications with Those Charged With Governance

This appendix identifies paragraphs in ISQC 1²² and other ISAs that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

- ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information* – paragraph 17–19.

Section A-4: Conforming Amendments to ISA 450, *Evaluation of Misstatements Identified during the Audit*

12. The proposed conforming amendments to ISA 450 are intended to recognize the effect that a misstatement may have on the other information.

Evaluating the Effect of Uncorrected Misstatements (Ref: Para. 10–11)

A16. The circumstances related to some misstatements may cause the auditor to evaluate them as material, individually or when considered together with other misstatements accumulated during the audit, even if they are lower than materiality for the financial statements as a whole. Circumstances that may affect the evaluation include the extent to which the misstatement:

- ...
- Affects other information that will be communicated to be included in the entity's annual report documents containing the audited financial statements (for example, information to be included in a "Management Discussion and Analysis" or an "Operating and Financial Review") that may reasonably be expected to influence the economic decisions of the users of the financial statements. ISA 720 (Revised)²³ deals with the auditor's responsibilities relating to consideration of other information, on which the auditor has no obligation to report, in documents containing audited financial statements.

Section A-5: Conforming Amendments to ISA 500, *Audit Evidence*

13. The proposed conforming amendment to ISA 500 is intended to avoid the use of the term "other information" with a different meaning to that used in proposed ISA 720 (Revised) in the definition of audit evidence.

²² ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

²³ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

Definitions

5. For purposes of the ISAs, the following terms have the meanings attributed below:
- (c) Audit evidence – Information used by the auditor in arriving at the conclusions on which the auditor’s opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and ~~other types of~~ information obtained from other sources.

Section A-6: Conforming Amendments to ISA 560, Subsequent Events

14. The proposed conforming amendments to ISA 560 (Revised) are intended to avoid the perception that ISA 560 and proposed ISA 720 (Revised) are in conflict and, to that end, to describe the respective coverage of each with respect to the auditor’s work performed after the date of the auditor’s report.

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor’s responsibilities relating to subsequent events in an audit of financial statements. It does not deal with matters relating to the auditor’s responsibilities for other information obtained after the date of the auditor’s report, which are addressed in ISA 720 (Revised).²⁴ However, such other information may bring to light a subsequent event that is within the scope of this ISA. (Ref: Para. A1)

...

[NB – This paragraph has been included for reference purposes only]

10. The auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor’s report. However, if, after the date of the auditor’s report but before the date the financial statements are issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor’s report, may have caused the auditor to amend the auditor’s report, the auditor shall: (Ref: Para. A10A-A11)
- (a) Discuss the matter with management and, where appropriate, those charged with governance;
 - (b) Determine whether the financial statements need amendment and, if so,
 - (c) Inquire how management intends to address the matter in the financial statements.

- A1. When the audited financial statements are included in other documents subsequent to the issuance of the financial statements (other than annual reports that would be within the scope of ISA 720

²⁴ ISA 720 (Revised), The Auditor’s Responsibilities Relating to Other Information

(Revised)), the auditor may have additional responsibilities relating to subsequent events that the auditor may need to consider, such as legal or regulatory requirements involving the offering of securities to the public in jurisdictions in which the securities are being offered. For example, the auditor may be required to perform additional audit procedures to the date of the final offering document. These procedures may include those referred to in paragraphs 6 and 7 performed up to a date at or near the effective date of the final offering document, and reading the offering document to assess whether the other information in the offering document is consistent with the financial information with which the auditor is associated.

~~A10A. The auditor's obligations regarding other information obtained received after the date of the auditor's report are addressed in ISA 720 (Revised). While the auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor's report but before the date the financial statements are issued, ISA 720 (Revised) contains requirements and guidance with respect to other information obtained after the date of the auditor's report, which might include other information obtained after the date of the auditor's report, but before the date the financial statements are issued.~~

...

[NB – This paragraph has been included for reference purposes only]

14. After the financial statements have been issued, the auditor has no obligation to perform any audit procedures regarding such financial statements. However, if, after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall: (Ref: Para. A16A)
 - (a) Discuss the matter with management and, where appropriate, those charged with governance;
 - (b) Determine whether the financial statements need amendment; and, if so,
 - (c) Inquire how management intends to address the matter in the financial statements.

Facts Which Become Known to the Auditor after the Financial Statements Have Been Issued

Implications of Other Information Received after the Financial Statements Have Been Issued (Ref: Para. 14)

~~A16A. The auditor's obligations regarding other information obtained received after the date of the auditor's report are addressed in ISA 720 (Revised). While the auditor has no obligation to perform any audit procedures regarding the financial statements after the financial statements have been issued, ISA 720 (Revised) contains requirements and guidance with respect to other information obtained after the date of the auditor's report, which might include other information obtained after the financial statements have been issued.~~

Section A-7: Conforming Amendments to ISA 580, Written Representations

15. The proposed conforming amendment to ISA 580 is intended to add a reference to the required representation under paragraph 13(c) of proposed ISA 720 (Revised).

Appendix 1

(Ref: Para. 2)

List of ISAs Containing Requirements for Written Representations

This appendix identifies paragraphs in other ISAs in effect for audits of financial statements for periods beginning on or after December 15, 2009 that require subject-matter specific written representations. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

...

- ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information – paragraph 13(c)

Section A-8: Conforming Amendments to Conforming Amendments to ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements

16. The proposed conforming amendments to ISA 700 (Revised) are intended to reference the reporting requirements in proposed ISA 720 (Revised), to include the minimum requirement for compliance with proposed ISA 720 (Revised) when law or regulation require the auditor to use a specific layout or wording in the auditor's report, and to refer to proposed ISA 720 (Revised) when discussing unaudited supplementary information.

Auditor's Report

...

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing

...

Other Information

32. Where applicable, the auditor shall report in accordance with proposed ISA 720 (Revised).

...

Auditor's Report Prescribed by Law or Regulation

50. If the auditor is required by law or regulation of a specific jurisdiction to use a specific layout, or wording of the auditor's report, the auditor's report shall refer to International Standards on Auditing only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A70–A71)
- (a) A title.
 - (b) An addressee, as required by the circumstances of the engagement.
 - (c) An Opinion section containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements (including identifying the jurisdiction of origin of the financial reporting framework that is not International Financial Reporting Standards or International Public Sector Accounting Standards, see paragraph 26).
 - (d) An identification of the entity's financial statements that have been audited.
 - (e) A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical

responsibilities in accordance with these requirements. The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the IESBA Code.

- (f) Where applicable, a section that addresses, and is not inconsistent with, the reporting requirements in paragraph 22 of ISA 570 (Revised).
- (g) Where applicable, a Basis for Qualified (or Adverse) Opinion section that addresses, and is not inconsistent with, the reporting requirements in paragraph 23 of ISA 570 (Revised).
- (h) Where applicable, a section that includes the information required by ISA 701, or additional information about the audit that is prescribed by law or regulation and that addresses, and is not inconsistent with, the reporting requirements in that ISA.²⁵ (Ref: Para. A72–A75)
- (i) Where applicable, a section that addresses the reporting requirements in paragraph 23 of ISA 720 (Revised)²⁶.
- (j) A description of management’s responsibilities for the preparation of the financial statements and an identification of those responsible for the oversight of the financial reporting process that addresses, and is not inconsistent with, the requirements in paragraphs 33–36.
- (k) A reference to International Standards on Auditing and the law or regulation, and a description of the auditor’s responsibilities for an audit of the financial statements that addresses, and is not inconsistent with, the requirements in paragraphs 37–40. (Ref: Paras. A54–A55)
- (l) For audits of complete sets of general purpose financial statements of listed entities, the name of the engagement partner unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat.
- (m) The auditor’s signature.
- (n) The auditor’s address.
- (o) The date of the auditor’s report.

Supplementary Information Presented with the Financial Statements (Ref: Para. 53–54)

...

A79. The fact that supplementary information is unaudited does not relieve the auditor of the responsibilities described in ISA 720 (Revised).

Section A-9: Conforming Amendments to Conforming Amendments to ISA 701, Communicating Key Audit Matters in the Independent Auditor’s Report

17. The proposed conforming amendments to ISA 700 (Revised) are intended to note that the auditor may consider the other information in formulating a description of a key audit matter.

Communicating Key Audit Matters

...

Descriptions of Individual Key Audit Matters (Ref: Para. 13)

...

²⁵ ISA 701, paragraphs 11-16

²⁶ Proposed ISA 720 (Revised), paragraph 23

A38. Proposed ISA 720 (Revised) defines the term annual report and explains that documents such as a management report, management commentary, or operating and financial review or similar reports by those charged with governance (e.g., a directors' report); a Chairman's statement; corporate governance statement; or internal control and risk assessment reports may form part of the annual report.²⁷ Proposed ISA 720 (Revised) addresses the auditor's responsibilities relating to other information included in the annual report. Although the auditor's opinion on the financial statements does not cover extend to the other information addressed by proposed ISA 720 (Revised), the auditor may consider this information, as well as other publicly available communications by the entity or other credible sources, in formulating the description of a key audit matter.

Section A-10: Conforming Amendments to Conforming Amendments to 705, Modifications to the Opinion in the Independent Auditor's Report

18. The proposed conforming amendments to ISA 705 (Revised) are intended to address the implications of the reporting requirements in proposed ISA 720 (Revised), notably the requirement that if an auditor disclaims an opinion on the financial statements, the auditor's report shall not include an Other Information section.

29. Unless required by law or regulation, when the auditor disclaims an opinion on the financial statements, the auditor's report shall not include a Key Audit Matters section in accordance with ISA 701 or an Other Information section in accordance with ISA 720 (Revised).^{28,29} (Ref: Para. A26)

...

A26. Providing the reasons for the auditor's inability to obtain sufficient appropriate audit evidence within the Basis for Disclaimer of Opinion section of the auditor's report provides useful information to users in understanding why the auditor has disclaimed an opinion on the financial statements and may further guard against inappropriate reliance on them. However, communication of any key audit matters other than the matter(s) giving rise to the disclaimer of opinion may suggest that the financial statements as a whole are more credible in relation to those matters than would be appropriate in the circumstances, and would be inconsistent with the disclaimer of opinion on the financial statements as a whole. Similarly, it would not be appropriate to include an Other Information section in accordance with proposed ISA 720 (Revised) addressing the auditor's consideration of the consistency of the other information with the financial statements. Accordingly, paragraph 29 of this ISA prohibits a Key Audit Matters section or an Other Information section from being included in the auditor's report when the auditor disclaims an opinion on the financial statements, unless the auditor is otherwise required by law or regulation to communicate key audit matters or to report on other information.

²⁷ ISA 720 (Revised), paragraphs 12(a) and A1–A3

²⁸ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraphs 11–13

²⁹ ISA 720 (Revised), paragraph A54.

Section A-11: Conforming Amendments to Conforming Amendments to 706 (Revised), Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report

19. The proposed conforming amendments to ISA 706 (Revised) are intended to make a cross-reference to ISA 720 (Revised).

Scope of this ISA

...

3. ISA 570 (Revised)³⁰ and proposed ISA 720 (Revised) establishes requirements and provides guidance about communication in the auditor's report relating to going concern and other information, respectively.

Matter for IAASB Consideration

8. Does the IAASB support the conforming amendments as outlined in **Section A** above?

Section B: Conforming Amendments to Illustrative Auditor's Reports

20. In addition to the changes to requirements and application material shown in Section A, the proposed reporting requirements in proposed ISA 720 (Revised) necessitates conforming amendments to the illustrative auditor's reports throughout the ISAs. The ISAs concerned are:
- ISA 510;³¹
 - ISA 570 (Revised);
 - ISA 600;³²
 - ISA 700 (Revised);
 - ISA 705 (Revised);
 - ISA 706 (Revised); and
 - ISA 710.³³
21. As the processing of changes to the illustrative auditor's reports is largely an administrative process, the Task Force proposes that the IAASB approve conforming amendments to the Illustration 1 in Appendix 1 of ISA 700 (Revised), subject to any final changes that affect the illustrative statements that may be agreed by the Board at its December meeting. ISA 720 and DT-700 Staff will then liaise with the IAASB Chairman and Auditor Reporting Task Force Chair to process the required changes across the illustrative auditor's reports as noted in paragraph 20 above.

³⁰ ISA 570 (Revised), *Going Concern*

³¹ ISA 510, *Initial Audit Engagements—Opening Balances*

³² ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

³³ ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*

22. The conforming amendments to illustration 1 of ISA 700 (Revised) are shown in the Appendix to this paper.

Matters for IAASB Consideration

9. Does the IAASB agree with the proposed conforming amendment to Illustration 1 of ISA 700 (Revised)? **(see Appendix)**
10. Does the IAASB support the Task Force's proposal that Staff and IAASB leadership align the illustrative auditor's reports throughout the ISAs with Illustration 1 of Appendix 1 of ISA 700 (Revised)?

Illustration 1 from ISA 700 (Revised) Marked to Show Proposed Conforming Amendments

Illustration 1 – Auditor’s Report on Financial Statements of a Listed Entity Prepared in Accordance with a Fair Presentation Framework

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit comprise the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants* together with the ethical requirements relating to the audit in the jurisdiction, and the auditor refers to both.³⁴
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA 570 (Revised).
- Key audit matters have been communicated in accordance with ISA 701.
- ~~Other information has been obtained at the date of the auditor’s report (i.e., proposed ISA 720 (Revised) applies).~~ The auditor has obtained all of the other information by the date of the auditor’s report and has not identified a material misstatement of the other information
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements³⁵

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of

³⁴ For all except for ISA 700, this assumption is “The relevant ethical requirements that apply to the audit are those of the jurisdiction.”

³⁵ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.³⁶ We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701.]

Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in proposed ISA 720 (Revised).]

Other Information [or another title if appropriate such as "Information other than the financial statements and auditor's report thereon"]

Other information comprises the [information included in the X report,³⁷ but does not include the financial statements and our auditor's report thereon.]

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether there are indications that the other information is materially inconsistent

³⁶ For all except ISA 700 this statement is "We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements."

³⁷ A more specific description of the other information, such as "the management report and chairman's statement," may be used to identify the other information.

with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we determine that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements³⁸

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs,³⁹ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.⁴⁰

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 41(b) of this ISA explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting

³⁸ Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

³⁹ Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ..."

⁴⁰ For all except ISA 700, the text in this section will be replaced with: "[Reporting in accordance with ISA 700 (Revised) – See Illustration 1 in ISA 700]"

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.⁴¹
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.⁴²

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the auditor's report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards. The matters addressed by other law, regulation or national auditing standards (referred to as "other reporting responsibilities") shall be addressed within this section unless the other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the ISAs as part of the Report on the Audit of

⁴¹ This sentence would be modified, as appropriate, in circumstances when the auditor also has a responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

⁴² For all except ISA 700, the text in this section will be replaced with: "[Reporting in accordance with ISA 700 (Revised) – See Illustration 1 in ISA 700]"

*the Financial Statements section. The reporting of other reporting responsibilities that address the same topics as those required by the ISAs may be combined (i.e., included in the Report on the Audit of the Financial Statements section under the appropriate subheadings) provided that the wording in the auditor's report clearly differentiates the other reporting responsibilities from the reporting that is required by the ISAs where such a difference exists.*⁴³

The engagement partner on the audit resulting in this independent auditor's report is [name].⁴⁴

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁴³ For all except ISA 700, the text in this section will be replaced with: "[Reporting in accordance with ISA 700 (Revised) – See Illustration 1 in ISA 700]"

⁴⁴ This statement will be included in illustrative auditor's reports of listed entities only.