

PROPOSED NARROW SCOPE AMENDMENTS TO THE ISQMs,¹ ISAs² AND ISRE 2400 (REVISED)³ AS A RESULT OF THE REVISIONS TO THE DEFINITIONS OF LISTED ENTITY AND PIE IN THE IESBA CODE⁴

[CLEAN VERSION]

This Agenda Item includes a clean version of the proposed narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised) relevant to Track 2 of the listed entity and PIE project.

This Agenda Item includes proposed drafting for narrow scope amendments to extant ISA 570 (Revised), as included in the ED. However, as explained in **Agenda Item 3**, these narrow scope amendments will be replaced with the proposed drafting for narrow scope amendments to proposed ISA 570 (Revised 2024) in **Agenda Item 3-B**. Accordingly, the proposed drafting for narrow scope amendments to extant ISA 570 (Revised) that was originally included in the ED have been greyed out.

(Effective for audits of financial statements for periods beginning on or after December 15, 2026)

ISQM 1, QUALITY MANAGEMENT FOR FIRMS THAT PERFORM AUDITS OR REVIEWS OF FINANCIAL STATEMENTS, OR OTHER ASSURANCE OR RELATED SERVICES ENGAGEMENTS

Introduction

Scope of this ISQM

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- 5A. Some of the requirements set out in the ISQMs are applicable only to audits of financial statements of publicly traded entities, reflecting significant public interest in the financial condition of these entities due to the potential impact of their financial well-being on stakeholders. (Ref: Para. A2A-A2B)
- 5B. Stakeholders have heightened expectations regarding an audit engagement for a publicly traded entity because of the significance of the public interest in the financial condition of the entity. The purpose of the requirements in the ISQMs that apply to audits of financial statements of publicly traded entities is to meet these expectations, thereby enhancing stakeholders' confidence in the entity's financial statements that can be used when assessing the entity's financial condition. (Ref: Para. A2A-A2E)

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¹ International Standards on Quality Management

² International Standards on Auditing

³ International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

⁴ The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

Scalability

10. In applying a risk-based approach, the firm is required to take into account:

- (a) The nature and circumstances of the firm; and
- (b) The nature and circumstances of the engagements performed by the firm.

Accordingly, the design of the firm's system of quality management, in particular the complexity and formality of the system, will vary. For example, a firm that performs different types of engagements for a wide variety of entities, including audits of financial statements of publicly traded entities, will likely need to have a more complex and formalized system of quality management and supporting documentation, than a firm that performs only reviews of financial statements or compilation engagements.

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Definitions

16. For purposes of this ISQM, the following terms have the meanings attributed below:

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- (p)B Publicly traded entity – An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

For purposes of complying with the ISQMs, if law, regulation or professional requirements define more explicitly publicly traded entity in a specific jurisdiction for example, for purposes of defining entities that are considered public interest entities, by making reference to specific public markets for trading securities, incorporating exemptions for specific types of entities, or setting size criteria, the firm applies that more explicit definition.

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Requirements

Applying, and Complying with, Relevant Requirements

- 17. The firm shall comply with each requirement of this ISQM unless the requirement is not relevant to the firm because of the nature and circumstances of the firm or its engagements. (Ref: Para. A29)
- 18. The individual(s) assigned ultimate responsibility and accountability for the firm's system of quality management, and the individual(s) assigned operational responsibility for the firm's system of quality management shall have an understanding of this ISQM, including the application and other explanatory material, to understand the objective of this ISQM and to apply its requirements properly.

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Specified Responses

- 34. In designing and implementing responses in accordance with paragraph 26, the firm shall include the following responses: (Ref: Para. A116)

- (a) The firm establishes policies or procedures for:
 - (i) Identifying, evaluating and addressing threats to compliance with the relevant ethical requirements; and (Ref: Para. A117)
 - (ii) Identifying, communicating, evaluating and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner. (Ref: Para. A118–A119)
- (b) The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.
- (c) The firm establishes policies or procedures for receiving, investigating and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements, or non-compliance with the firm's policies or procedures established in accordance with this ISQM. (Ref: Para. A120–A121)
- (d) The firm establishes policies or procedures that address circumstances when:
 - (i) The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement; or (Ref: Para. A122–A123)
 - (ii) The firm is obligated by law or regulation to accept a client relationship or specific engagement. (Ref: Para. A123)
- (e) The firm establishes policies or procedures that: (Ref: Para. A124–A126)
 - (i) Require communication with those charged with governance when performing an audit of financial statements of publicly traded entities about how the system of quality management supports the consistent performance of quality audit engagements; (Ref: Para. A127–A129)
 - (ii) Address when it is otherwise appropriate to communicate with external parties about the firm's system of quality management; and (Ref: Para. A130)
 - (iii) Address the information to be provided when communicating externally in accordance with paragraphs 34(e)(i) and 34(e)(ii), including the nature, timing and extent and appropriate form of communication. (Ref: Para. A131–A132)
- (f) The firm establishes policies or procedures that address engagement quality reviews in accordance with ISQM 2, and require an engagement quality review for:
 - (i) Audits of financial statements of publicly traded entities;
 - (ii) Audits or other engagements for which an engagement quality review is required by law or regulation; and (Ref: Para. A133)
 - (iii) Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risk(s). (Ref: Para. A134–A137)

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Application and Other Explanatory Material

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A2A. The firm may determine that there are entities other than publicly traded entities where stakeholders have heightened expectations regarding the audit engagement, reflecting significant public interest in the financial condition of those entities. Therefore, the firm may also apply requirements set out in the ISQMs for audits of financial statements of publicly traded entities to the audits of such other entities. Paragraphs A2B–A2E may be relevant in this regard.

A2B. The extent of public interest in the financial condition of an entity may, for example, be affected by:

- The nature of the business or activities, such as taking on financial obligations to the public as part of the entity's primary business.
- Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.
- Size of the entity.
- The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure.
- Number and nature of stakeholders including investors, customers, creditors and employees.
- The potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity.

A2C. Law, regulation or professional requirements, including relevant ethical requirements, may define or designate an entity(ies) as a “public interest entity” or may use terms other than “public interest entity” to describe entities in which there is a significant public interest in their financial condition. For example, the IESBA Code has identified certain categories of public interest entity, including a publicly traded entity, an entity one of whose main functions is to take deposits from the public, or an entity one of whose main functions is to provide insurance to the public.

A2D. In addition, those responsible for setting law, regulation or professional requirements also may designate categories of “public interest entities”. Depending on the facts and circumstances in a specific jurisdiction, such categories may include:

- Pension funds.
- Collective investment vehicles.
- Private entities with large numbers of stakeholders (other than investors).
- Not-for-profit organizations or governmental entities.
- Public utilities.

A2E. The firm may also consider the following factors in determining whether it may be appropriate to apply requirements for audits of publicly traded entities to audits of other entities:

- Whether the entity is treated as a public interest entity for purposes of relevant ethical

requirements, including those related to independence.

- Whether the entity is likely to become a publicly traded entity in the near future.
- Whether in similar circumstances, the firm has applied the differential requirements for publicly traded entities to other entities.
- Whether the entity has been specified as not being a publicly traded entity by law, regulation or professional requirements.
- Whether the entity or other stakeholders requested the firm to apply the differential requirements for publicly traded entities to the entity and, if so, whether there are any reasons for not meeting this request.
- The entity's corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management.
- Whether in similar circumstances, a predecessor firm has applied differential requirements for publicly traded entities to the entity.

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Applying, and Complying with, Relevant Requirements (Ref: Para. 17)

A29. Examples of when a requirement of this ISQM may not be relevant to the firm

- The firm is a sole practitioner. For example, the requirements addressing the organizational structure and assigning roles, responsibilities and authority within the firm, direction, supervision and review and addressing differences of opinion may not be relevant.
- The firm only performs engagements that are related services engagements. For example, if the firm is not required to maintain independence for related services engagements, the requirement to obtain a documented confirmation of compliance with independence requirements from all personnel would not be relevant.

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Specified Responses (Ref: Para. 34)

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Communication with Those Charged with Governance (Ref. Para: 34(e)(i))

A127. How the communication with those charged with governance is undertaken (i.e., by the firm or the engagement team) may depend on the firm's policies or procedures and the circumstances of the engagement.

A128. ISA 260 (Revised) deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements, and addresses the auditor's determination of the appropriate person(s) within the entity's governance structure with whom to communicate⁵ and the

⁵ ISA 260 (Revised), *Communication with Those Charged with Governance*, paragraphs 11–13

communication process.⁶ In some circumstances, it may be appropriate to communicate with those charged with governance of entities other than publicly traded entities if the firm determines that there is significant public interest in the financial condition of those entities (see paragraph A2A) (or when performing other engagements). Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities.

Public sector considerations

A129. The firm may determine it is appropriate to communicate to those charged with governance of a public sector entity about how the firm's system of quality management supports the consistent performance of quality engagements, taking into account the size and complexity of the public sector entity, the range of its stakeholders, the nature of the services it provides, and the role and responsibilities of those charged with governance.

Determining When it is Otherwise Appropriate to Communicate with External Parties (Ref. Para: 34(e)(ii))

A130. The firm's determination of when it is appropriate to communicate with external parties about the firm's system of quality management is a matter of professional judgment and may be influenced by matters such as:

- The types of engagements performed by the firm, and the types of entities for which such engagements are undertaken.
- The nature and circumstances of the firm.
- The nature of the firm's operating environment, such as customary business practice in the firm's jurisdiction and the characteristics of the financial markets in which the firm operates.
- The extent to which the firm has already communicated with external parties in accordance with law or regulation (i.e., whether further communication is needed, and if so, the matters to be communicated).
- The expectations of stakeholders in the firm's jurisdiction, including the understanding and interest that external parties have expressed about the engagements undertaken by the firm, and the firm's processes in performing the engagements.
- Jurisdictional trends.
- The information that is already available to external parties.
- How external parties may use the information, and their general understanding of matters related to firms' system of quality management and audits or reviews of financial statements, or other assurance or related services engagements.
- The public interest benefits of external communication and whether it would reasonably be expected to outweigh the costs (monetary or otherwise) of such communication.

The above matters may also affect the information provided by the firm in the communication, and the nature, timing and extent and appropriate form of communication.

⁶ ISA 260 (Revised), paragraphs 18–22

Nature, Timing and Extent and Appropriate Form of Communication with External Parties (Ref. Para: 34(e)(iii))

A131. The firm may consider the following attributes in preparing information that is communicated to external parties:

- The information is specific to the circumstances of the firm. Relating the matters in the firm's communication directly to the specific circumstances of the firm may help to minimize the potential that such information becomes overly standardized and less useful over time.
- The information is presented in a clear and understandable manner, and the manner of presentation is neither misleading nor would inappropriately influence the users of the communication (e.g., the information is presented in a manner that is appropriately balanced towards positive and negative aspects of the matter being communicated).
- The information is accurate and complete in all material respects and does not contain information that is misleading.
- The information takes into consideration the information needs of the users for whom it is intended. In considering the information needs of the users, the firm may consider matters such as the level of detail that users would find meaningful and whether users have access to relevant information through other sources (e.g., the firm's website).

A132. The firm uses professional judgment in determining, in the circumstances, the appropriate form of communication with the external party, including communication with those charged with governance when performing an audit of financial statements of publicly traded entities, which may be made orally or in writing. Accordingly, the form of communication may vary.

Examples of form of communication to external parties

- A publication such as a transparency report or audit quality report.
- Targeted written communication to specific stakeholders (e.g., information about the results of the firm's monitoring and remediation process).
- Direct conversations and interactions with the external party (e.g., discussions between the engagement team and those charged with governance).
- A webpage.
- Other forms of digital media, such as social media, or interviews or presentations via webcast or video.

Engagements Subject to an Engagement Quality Review

Engagement Quality Review Required by Law or Regulation (Ref: Para. 34(f)(ii))

A133. This ISQM requires an engagement quality review for audits of financial statements of publicly traded entities. Law or regulation may also include explicit requirements to perform an engagement quality review for certain entities, for example, for audit engagements for entities that:

- Are public interest entities as defined in a specific jurisdiction;

- Operate in the public sector or which are recipients of government funding, or entities with public accountability;
- Operate in certain industries (e.g., financial institutions such as banks, insurance companies and pension funds);
- Meet a specified asset threshold; or
- Are under the management of a court or judicial process (e.g., liquidation).

Engagement Quality Review as a Response to Address One or More Quality Risk(s) (Ref: Para. 34(f)(iii))

A134. The firm's understanding of the conditions, events, circumstances, actions or inactions that may adversely affect the achievement of the quality objectives, as required by paragraph 25(a)(ii), relates to the nature and circumstances of the engagements performed by the firm. In designing and implementing responses to address one or more quality risk(s), the firm may determine that an engagement quality review is an appropriate response based on the reasons for the assessments given to the quality risks.

Examples of conditions, events, circumstances, actions or inactions giving rise to one or more quality risk(s) for which an engagement quality review may be an appropriate response

Those relating to the types of engagements performed by the firm and reports to be issued:

- Engagements that involve a high level of complexity or judgment, such as:
 - Audits of financial statements for entities operating in an industry that typically has accounting estimates with a high degree of estimation uncertainty (e.g., certain financial institutions or mining entities), or for entities for which uncertainties exist related to events or conditions that may cast significant doubt on their ability to continue as a going concern.
 - Assurance engagements that require specialized skills and knowledge in measuring or evaluating the underlying subject matter against the applicable criteria (e.g., a greenhouse gas statement in which there are significant uncertainties associated with the quantities reported therein).
- Engagements on which issues have been encountered, such as audit engagements with recurring internal or external inspection findings, unremediated significant deficiencies in internal control, or a material restatement of comparative information in the financial statements.
- Engagements for which unusual circumstances have been identified during the firm's acceptance and continuance process (e.g., a new client that had a disagreement with its previous auditor or assurance practitioner).
- Engagements that involve reporting on financial or non-financial information that is expected to be included in a regulatory filing, and that may involve a higher degree of judgment, such as pro forma financial information to be included in a prospectus.

Those relating to the types of entities for which engagements are undertaken:

- Entities in emerging industries, or for which the firm has no previous experience.
- Entities for which concerns were expressed in communications from securities or prudential regulators.
- Entities other than publicly traded entities if the firm determines that there is significant public interest in the financial condition of those entities (see paragraph A2A) for which an engagement quality review is not otherwise required by law or regulation. Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities.
- Entities with a high public profile, or whose management or owners have a high public profile.

A135. The firm's responses to address quality risks may include other forms of engagement reviews that are not an engagement quality review. For example, for audits of financial statements, the firm's responses may include reviews of the engagement team's procedures relating to significant risks, or reviews of certain significant judgments, by personnel who have specialized technical expertise. In some cases, these other types of engagement reviews may be undertaken in addition to an engagement quality review.

A136. In some cases, the firm may determine that there are no audits or other engagements for which an engagement quality review or another form of engagement review is an appropriate response to address the quality risk(s).

Public sector considerations

A137. The nature and circumstances of public sector entities (e.g., due to their size and complexity, the range of their stakeholders, or the nature of the services they provide) may give rise to quality risks. In these circumstances, the firm may determine that an engagement quality review is an appropriate response to address such quality risks. Law or regulation may establish additional reporting requirements for the auditors of public sector entities (e.g., a separate report on instances of non-compliance with law or regulation to the legislature or other governing body or communicating such instances in the auditor's report on the financial statements). In such cases, the firm may also consider the complexity of such reporting, and its importance to users, in determining whether an engagement quality review is an appropriate response.

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Engagement Inspections (Ref: Para. 38)

A151. *Examples of matters in paragraph 37 that may be considered by the firm in selecting completed engagements for inspection*

- In relation to the conditions, events, circumstances, actions or inactions giving rise to the quality risks:
 - The types of engagements performed by the firm, and the extent of the firm's experience in performing the type of engagement.
 - The types of entities for which engagements are undertaken, for example:
 - Entities that are publicly traded entities.
 - Entities operating in emerging industries.
 - Entities operating in industries associated with a high level of complexity or judgment.
 - Entities operating in an industry that is new to the firm.
 - The tenure and experience of engagement partners.
- The results of previous inspections of completed engagements, including for each engagement partner.
- In relation to other relevant information:
 - Complaints or allegations about an engagement partner.
 - The results of external inspections, including for each engagement partner.
 - The results of the firm's evaluation of each engagement partner's commitment to quality.

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Evaluating Identified Deficiencies (Ref: Para. 41)

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Root Cause of the Identified Deficiencies (Ref: Para. 41(a))

A165. The objective of investigating the root cause(s) of identified deficiencies is to understand the underlying circumstances that caused the deficiencies to enable the firm to:

- Evaluate the severity and pervasiveness of the identified deficiency; and
- Appropriately remediate the identified deficiency.

Performing a root cause analysis involves those performing the assessment exercising professional judgment based on the evidence available.

A166. The nature, timing and extent of the procedures undertaken to understand the root cause(s) of an identified deficiency may also be affected by the nature and circumstances of the firm, such as:

- The complexity and operating characteristics of the firm.
- The size of the firm.
- The geographical dispersion of the firm.
- How the firm is structured or the extent to which the firm concentrates or centralizes its processes or activities.

Examples of how the nature of identified deficiencies and their possible severity and the nature and circumstances of the firm may affect the nature, timing and extent of the procedures to understand the root cause(s) of the identified deficiencies

- The nature of the identified deficiency: The firm's procedures to understand the root cause(s) of an identified deficiency may be more rigorous in circumstances when an engagement report related to an audit of financial statements of a publicly traded entity was issued that was inappropriate or the identified deficiency relates to leadership's actions and behaviors regarding quality.
- The possible severity of the identified deficiency: The firm's procedures to understand the root cause(s) of an identified deficiency may be more rigorous in circumstances when the deficiency has been identified across multiple engagements or there is an indication that policies or procedures have high rates of non-compliance.
- Nature and circumstances of the firm:
 - In the case of a less complex firm with a single location, the firm's procedures to understand the root cause(s) of an identified deficiency may be simple, since the information to inform the understanding may be readily available and concentrated, and the root cause(s) may be more apparent.
 - In the case of a more complex firm with multiple locations, the procedures to understand the root cause(s) of an identified deficiency may include using individuals specifically trained on investigating the root cause(s) of identified deficiencies, and developing a methodology with more formalized procedures for identifying root cause(s).

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ISQM 2, ENGAGEMENT QUALITY REVIEWS

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Application and Other Explanatory Material

Appointment and Eligibility of Engagement Quality Reviewers

Assignment of Responsibility for the Appointment of Engagement Quality Reviewers (Ref: Para. 17)

- A1. Competence and capabilities that are relevant to an individual's ability to fulfill responsibility for the appointment of the engagement quality reviewer may include appropriate knowledge about:
- The responsibilities of an engagement quality reviewer;

- The criteria in paragraphs 18 and 19 regarding the eligibility of engagement quality reviewers; and
 - The nature and circumstances of the engagement or the entity subject to an engagement quality review, including the composition of the engagement team.
- A2. The firm's policies or procedures may specify that the individual responsible for the appointment of engagement quality reviewers not be a member of the engagement team for which an engagement quality review is to be performed. However, in certain circumstances (e.g., in the case of a smaller firm or a sole practitioner), it may not be practicable for an individual other than a member of the engagement team to appoint the engagement quality reviewer.
- A3. The firm may assign more than one individual to be responsible for appointing engagement quality reviewers. For example, the firm's policies or procedures may specify a different process for appointing engagement quality reviewers for audits of publicly traded entities than for audits of entities other than publicly traded entities or other engagements, with different individuals responsible for each process.

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Performance of the Engagement Quality Review (Ref: Para. 24–27)

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Procedures Performed by the Engagement Quality Reviewer (Ref: Para. 25–27)

- A28. The firm's policies or procedures may specify the nature, timing and extent of the procedures performed by the engagement quality reviewer and also may emphasize the importance of the engagement quality reviewer exercising professional judgment in performing the review.
- A29. The timing of the procedures performed by the engagement quality reviewer may depend on the nature and circumstances of the engagement or the entity, including the nature of the matters subject to the review. Timely review of the engagement documentation by the engagement quality reviewer throughout all stages of the engagement (e.g., planning, performing and reporting) allows matters to be promptly resolved to the engagement quality reviewer's satisfaction, on or before the date of the engagement report. For example, the engagement quality reviewer may perform procedures in relation to the overall strategy and plan for the engagement at the completion of the planning phase. Timely performance of the engagement quality review also may reinforce the exercise of professional judgment and, when applicable to the type of engagement, professional skepticism, by the engagement team in planning and performing the engagement.
- A30. The nature and extent of the engagement quality reviewer's procedures for a specific engagement may depend on, among other factors:
- The reasons for the assessments given to quality risks,⁷ for example, engagements performed for entities in emerging industries or with complex transactions.
 - Identified deficiencies, and the remedial actions to address the identified deficiencies, related to the firm's monitoring and remediation process, and any related guidance issued by the firm,

⁷ ISQM 1, paragraph A49

which may indicate areas where more extensive procedures need to be performed by the engagement quality reviewer.

- The complexity of the engagement.
- The nature and size of the entity, including whether the entity is a publicly traded entity.
- Findings relevant to the engagement, such as the results of inspections undertaken by an external oversight authority in a prior period, or other concerns raised about the quality of the work of the engagement team.
- Information obtained from the firm's acceptance and continuance of client relationships and specific engagements.
- For assurance engagements, the engagement team's identification and assessment of, and responses to, risks of material misstatement in the engagement.
- Whether members of the engagement team have cooperated with the engagement quality reviewer. The firm's policies or procedures may address the actions the engagement quality reviewer takes in circumstances when the engagement team has not cooperated with the engagement quality reviewer, for example, informing an appropriate individual in the firm so appropriate action can be taken to resolve the issue.

A31. The nature, timing and extent of the engagement quality reviewer's procedures may need to change based on circumstances encountered in performing the engagement quality review.

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ISA 200, OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR AND THE CONDUCT OF AN AUDIT IN ACCORDANCE WITH INTERNATIONAL STANDARDS ON AUDITING

Introduction

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An Audit of Financial Statements

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- 9A. Some of the requirements set out in the ISAs are applicable only to audits of financial statements of publicly traded entities, reflecting significant public interest in the financial condition of these entities due to the potential impact of their financial well-being on stakeholders. (Ref: Para. A13A-A13B)
- 9B. Stakeholders have heightened expectations regarding an audit engagement for a publicly traded entity because of the significance of the public interest in the financial condition of the entity. The purpose of the requirements in the ISAs that apply to audits of financial statements of publicly traded entities is to meet these expectations, thereby enhancing stakeholders' confidence in the entity's financial statements that can be used when assessing the entity's financial condition. (Ref: Para. A13A-A13E)

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Definitions

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13. For purposes of the ISAs, the following terms have the meanings attributed below:

...

- (l)B Publicly traded entity – An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

For purposes of complying with the ISAs, if law, regulation or professional requirements define more explicitly publicly traded entity in a specific jurisdiction, for example for purposes of defining entities that are considered public interest entities, by making reference to specific public markets for trading securities, incorporating exemptions for specific types of entities, or setting size criteria, the auditor applies that more explicit definition.

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Requirements

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Conduct of an Audit in Accordance with ISAs

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Complying with Relevant Requirements

22. Subject to paragraph 23, the auditor shall comply with each requirement of an ISA unless, in the circumstances of the audit:
- (a) The entire ISA is not relevant; or
 - (b) The requirement is not relevant because it is conditional and the condition does not exist. (Ref: Para. A79–A80)
23. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA. In such circumstances, the auditor shall perform alternative audit procedures to achieve the aim of that requirement. The need for the auditor to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the audit, that procedure would be ineffective in achieving the aim of the requirement. (Ref: Para. A81)

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Application and Other Explanatory Material

An Audit of Financial Statements

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Public Interest in the Financial Condition of an Entity (Ref: Para. 9A-9B)

A13A. The auditor may determine that there are entities other than publicly traded entities where stakeholders have heightened expectations regarding the audit engagement, reflecting significant public interest in the financial condition of those entities. Therefore, the auditor may also apply requirements set out in the ISAs for audits of financial statements of publicly traded entities to the audits of such other entities. Paragraphs A13B–A13E may be relevant in this regard.

A13B. The extent of public interest in the financial condition of an entity may, for example, be affected by:

- The nature of the business or activities, such as taking on financial obligations to the public as part of the entity's primary business.
- Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.
- Size of the entity.
- The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure.
- Number and nature of stakeholders including investors, customers, creditors and employees.
- The potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity.

A13C. Law, regulation or professional requirements, including relevant ethical requirements, may define or designate an entity(ies) as a "public interest entity" or may use terms other than "public interest entity" to describe entities in which there is a significant public interest in their financial condition. For example, the IESBA Code has identified certain categories of public interest entity, including a publicly traded entity, an entity one of whose main functions is to take deposits from the public, or an entity one of whose main functions is to provide insurance to the public.

A13D. In addition, those responsible for setting law, regulation or professional requirements also may designate categories of "public interest entities". Depending on the facts and circumstances in a specific jurisdiction, such categories may include:

- Pension funds.
- Collective investment vehicles.
- Private entities with large numbers of stakeholders (other than investors).
- Not-for-profit organizations or governmental entities.
- Public utilities.

A13E. The auditor may also consider the following factors in determining whether to apply requirements for audits of publicly traded entities to audits of other entities:

- Whether the entity is treated as a public interest entity for purposes of relevant ethical requirements, including those related to independence.
- the entity is likely to become a publicly traded entity in the near future.

- Whether in similar circumstances, the auditor has applied the differential requirements for publicly traded entities to other entities.
- Whether the entity has been specified as not being a publicly traded entity by law, regulation or professional requirements.
- Whether the entity or other stakeholders requested the auditor to apply the differential requirements for publicly traded entities to the entity and, if so, whether there are any reasons for not meeting this request.
- The entity's corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management.
- Whether in similar circumstances, a predecessor auditor has applied differential requirements for publicly traded entities to the entity.

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Conduct of an Audit in Accordance with ISAs

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Contents of the ISAs (Ref: Para. 19)

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Scalability Considerations

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- A69. Scalability considerations have been included in some ISAs (e.g., ISA 315 (Revised 2019)), illustrating the application of the requirements to all entities regardless of whether their nature and circumstances are less complex or more complex. Less complex entities are entities for which the characteristics in paragraph A71 may apply.
- A70. The “considerations specific to smaller entities” included in some ISAs have been developed primarily with entities other than publicly traded entities in mind. Some of the considerations, however, may be helpful in audits of smaller publicly traded entities.
- A71. For purposes of specifying additional considerations to audits of smaller entities, a “smaller entity” refers to an entity which typically possesses qualitative characteristics such as:
- (a) Concentration of ownership and management in a small number of individuals (often a single individual – either a natural person or another enterprise that owns the entity provided the owner exhibits the relevant qualitative characteristics); and
 - (b) One or more of the following:
 - (i) Straightforward or uncomplicated transactions;
 - (ii) Simple record-keeping;
 - (iii) Few lines of business and few products within business lines;
 - (iv) Simpler system of internal controls;

- (v) Few levels of management with responsibility for a broad range of controls; or
- (vi) Few personnel, many having a wide range of duties.

These qualitative characteristics are not exhaustive, they are not exclusive to smaller entities, and smaller entities do not necessarily display all of these characteristics.

...

Complying with Relevant Requirements

Relevant Requirements (Ref: Para. 22)

...

Departure from a Requirement (Ref: Para. 23)

A81. ISA 230 establishes documentation requirements in those exceptional circumstances where the auditor departs from a relevant requirement.⁸ The ISAs do not call for compliance with a requirement that is not relevant in the circumstances of the audit.

...

ISA 210, AGREEING THE TERMS OF AUDIT ENGAGEMENTS

...

Application and Other Explanatory Material

...

Preconditions for an Audit

...

Agreement of the Responsibilities of Management (Ref: Para. 6(b))

...

A12. The way in which the responsibilities for financial reporting are divided between management and those charged with governance will vary according to the resources and structure of the entity and any relevant law or regulation, and the respective roles of management and those charged with governance within the entity. In most cases, management is responsible for execution while those charged with governance have oversight of management. In some cases, those charged with governance will have, or will assume, responsibility for approving the financial statements or monitoring the entity's internal control related to financial reporting. In larger or more complex entities, a subgroup of those charged with governance, such as an audit committee, may be charged with certain oversight responsibilities.

...

⁸ ISA 230, paragraph 12

ISA 220 (REVISED), QUALITY MANAGEMENT FOR AN AUDIT OF FINANCIAL STATEMENTS

...

Application and Other Explanatory Material

...

Relevant Ethical Requirements, Including Those Related to Independence (Ref: Para. 16–21)

Relevant Ethical Requirements (Ref: Para. 1, 16–21)

A39. ISA 200⁹ requires that the auditor comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements. Relevant ethical requirements may vary depending on the nature and circumstances of the engagement. For example, certain requirements related to independence may be applicable only when performing audits of publicly traded entities. ISA 600 (Revised) includes additional requirements and guidance to those in this ISA regarding communications about relevant ethical requirements with component auditors.

...

ISA 240, THE AUDITOR'S RESPONSIBILITIES RELATING TO FRAUD IN AN AUDIT OF FINANCIAL STATEMENTS

...

Application and Other Explanatory Material

...

Identification and Assessment of the Risks of Material Misstatement Due to Fraud

Risks of Fraud in Revenue Recognition (Ref: Para. 27)

A29. Material misstatement due to fraudulent financial reporting relating to revenue recognition often results from an overstatement of revenues through, for example, premature revenue recognition or recording fictitious revenues. It may result also from an understatement of revenues through, for example, improperly shifting revenues to a later period.

A30. The risks of fraud in revenue recognition may be greater in some entities than others. For example, there may be pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition in the case of publicly traded entities when, for example, performance is measured in terms of year over year revenue growth or profit. Similarly, for example, there may be greater risks of fraud in revenue recognition in the case of entities that generate a substantial portion of revenues through cash sales.

A31. The presumption that there are risks of fraud in revenue recognition may be rebutted. For example, the auditor may conclude that there is no risk of material misstatement due to fraud relating to

⁹ ISA 200, paragraphs 14 and A16–A19

revenue recognition in the case where there is a single type of simple revenue transaction, for example, leasehold revenue from a single unit rental property.

...

ISA 260 (REVISED), COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. Although this ISA applies irrespective of an entity's governance structure or size, particular considerations apply where all of those charged with governance are involved in managing an entity, and for publicly traded entities. This ISA does not establish requirements regarding the auditor's communication with an entity's management or owners unless they are also charged with a governance role.

...

Requirements

...

Matters to Be Communicated

...

Auditor Independence

17. The auditor shall communicate with those charged with governance the relevant ethical requirements, including those related to independence, that the auditor applies for the audit engagement, including if applicable in the circumstances, any independence requirements specific to audits of financial statements of certain entities. (Ref: Para. A29)
18. The auditor shall communicate with those charged with governance a statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.
- 18A. For audits of financial statements of publicly traded entities, the statement required by paragraph 18 shall include
 - (a) All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor; and (Ref: Para. A29A)
 - (b) In respect of threats to independence that are not at an acceptable level, the actions taken to

address the threats, including actions that were taken to eliminate the circumstances that create the threats, or applying safeguards to reduce the threats to an acceptable level. (Ref: Para. A30–A32)

...

The Communication Process

...

Forms of Communication

...

20. The auditor shall communicate in writing with those charged with governance regarding auditor independence as required by paragraphs 17–18A.

...

Application and Other Explanatory Material

...

Matters to Be Communicated

...

Auditor Independence (Ref: Para. 17–18A)

- A29. The auditor is required to comply with relevant ethical requirements, including those related to independence, relating to financial statement audit engagements¹⁰ and to communicate with those charged with governance about the requirements the auditor applies. Relevant ethical requirements may:

- Establish independence requirements that are specific to audits of financial statements of certain entities specified in the relevant ethical requirements, such as the independence requirements for audits of financial statements of public interest entities in the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code). If applicable in the circumstances of the audit engagement, this ISA requires that the auditor also communicates with those charged with governance that the auditor applies such independence requirements.
- Require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities specified in the relevant ethical requirements.¹¹ ISA 700 (Revised) addresses the requirements for the auditor's report relating

¹⁰ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 14

¹¹ See, for example, the public disclosure requirements in the IESBA Code, paragraphs R400.20–R400.21.

to the auditor's independence and the relevant ethical requirements the auditor applied.¹²

- Require or encourage the auditor to determine whether it is appropriate to apply independence requirements that are specific to audits of financial statements of certain entities to audits of financial statements of other entities not specified in the relevant ethical requirements.¹³ If this is the case and the auditor is required to publicly disclose when the auditor applied such independence requirements, the auditor may discuss with management or those charged with governance whether there is a risk of misunderstanding the nature of the entity and any need for additional disclosure.

A29A. Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance for matters that may reasonably be thought to bear on independence. For example, the IESBA Code requires the auditor to communicate with those charged with governance information regarding fees¹⁴ and the provision of non-audit services for audit clients that are public interest entities.¹⁵

A30. The communication about relationships and other matters, and how threats to independence that are not at an acceptable level have been addressed varies with the circumstances of the engagement and generally addresses the threats to independence, safeguards to reduce the threats, and measures to eliminate the circumstances that created the threats.

A31. Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. For example, the IESBA Code requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take.¹⁶

A32. The communication requirements relating to auditor independence that apply in the case of publicly traded entities may also be appropriate in the case of entities other than publicly traded entities if the auditor determines that there is significant public interest in the financial condition of those entities.¹⁷ Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities.

...

The Communication Process

Establishing the Communication Process (Ref: Para. 18)

...

Considerations Specific to Smaller Entities

¹² ISA 700 (Revised), paragraph 28(c)

¹³ See, for example, encouragement in the application material in the IESBA Code, paragraph 400.19 A1.

¹⁴ See, for example, paragraphs R410.23–~~R410.28 of the IESBA Code.~~

¹⁵ See, for example, paragraphs R600.21–R600.23 of the IESBA Code.

¹⁶ See, for example, paragraphs R400.80–R400.82 and R400.84 of the IESBA Code.

¹⁷ ISA 200, paragraph A13A.

- A40. In the case of audits of smaller entities, the auditor may communicate in a less structured manner with those charged with governance than in the case of, for example, publicly traded or larger entities.

...

ISA 265, COMMUNICATING DEFICIENCIES IN INTERNAL CONTROL TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT

...

Application and Other Explanatory Material

...

Significant Deficiencies in Internal Control (Ref: Para. 6(b), 8)

...

- A9. Law or regulation in some jurisdictions may establish a requirement (particularly for audits of publicly traded entities) for the auditor to communicate to those charged with governance or to other relevant parties (such as regulators) one or more specific types of deficiency in internal control that the auditor has identified during the audit. Where law or regulation has established specific terms and definitions for these types of deficiency and requires the auditor to use these terms and definitions for the purpose of the communication, the auditor uses such terms and definitions when communicating in accordance with the legal or regulatory requirement.

...

Communication of Deficiencies in Internal Control

Communication of Significant Deficiencies in Internal Control to Those Charged with Governance (Ref: Para. 9)

...

- A13. In determining when to issue the written communication, the auditor may consider whether receipt of such communication would be an important factor in enabling those charged with governance to discharge their oversight responsibilities. In addition, for publicly traded entities in certain jurisdictions, those charged with governance may need to receive the auditor's written communication before the date of approval of the financial statements in order to discharge specific responsibilities in relation to internal control for regulatory or other purposes. For other entities, the auditor may issue the written communication at a later date. Nevertheless, in the latter case, as the auditor's written communication of significant deficiencies forms part of the final audit file, the written communication is subject to the overriding requirement¹⁸ for the auditor to complete the assembly of

¹⁸ ISA 230, *Audit Documentation*, paragraph 14

the final audit file on a timely basis. ISA 230 states that an appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.¹⁹

- A14. Regardless of the timing of the written communication of significant deficiencies, the auditor may communicate these orally in the first instance to management and, when appropriate, to those charged with governance to assist them in taking timely remedial action to minimize the risks of material misstatement. Doing so, however, does not relieve the auditor of the responsibility to communicate the significant deficiencies in writing, as this ISA requires.
- A15. The level of detail at which to communicate significant deficiencies is a matter of the auditor's professional judgment in the circumstances. Factors that the auditor may consider in determining an appropriate level of detail for the communication include, for example:
- The nature of the entity. For example, the communication required for a public interest entity may be different from that for an entity other than a public interest entity.
 - The size and complexity of the entity. For example, the communication required for a complex entity may be different from that for an entity operating a simple business.
 - The nature of significant deficiencies that the auditor has identified.
 - The entity's governance composition. For example, more detail may be needed if those charged with governance include members who do not have significant experience in the entity's industry or in the affected areas.
 - Legal or regulatory requirements regarding the communication of specific types of deficiency in internal control.

...

ISA 315 (REVISED 2019), IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT

...

Application and Other Explanatory Material

...

Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control (Ref: Para. 19–27)

...

The Entity and Its Environment (Ref: Para. 19(a))

The Entity's Organizational Structure, Ownership and Governance, and Business Model (Ref: Para. 19(a)(i))

¹⁹ ISA 230, paragraph A21

The entity's organizational structure and ownership

A56. An understanding of the entity's organizational structure and ownership may enable the auditor to understand such matters as:

- The complexity of the entity's structure.
- ...
- The distinction between the owners, those charged with governance and management.

Example:

In less complex entities, owners of the entity may be involved in managing the entity, therefore there is little or no distinction. In contrast, such as in some publicly traded entities, there may be a clear distinction between management, the owners of the entity, and those charged with governance.²⁰

...

ISA 510, INITIAL AUDIT ENGAGEMENTS – OPENING BALANCES

...

Appendix

(Ref: Para A8)

Illustrations of Auditors' Reports with Modified Opinions

...

Illustration 1:

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

- **Audit of a complete set of financial statements of an entity other than a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)²¹ does not apply).**

...

²⁰ ISA 260 (Revised), paragraphs A1 and A2, provide guidance on the identification of those charged with governance and explains that in some cases, some or all of those charged with governance may be involved in managing the entity.

²¹ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Illustration 2:

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

- Audit of a complete set of financial statements of an entity other than a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

...

ISA 570 (REVISED), GOING CONCERN

...

Appendix

(Ref: Para. A29, A31–A32)

Illustrations of Auditor's Reports Relating to Going Concern

- Illustration 1: An auditor's report containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements is adequate.
- Illustration 2: An auditor's report containing a qualified opinion when the auditor has concluded that a material uncertainty exists and that the financial statements are materially misstated due to inadequate disclosure.
- Illustration 3: An auditor's report containing an adverse opinion when the auditor has concluded that a material uncertainty exists and the financial statements omit the required disclosures relating to a material uncertainty.

Illustration 1 – Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Statements Is Adequate

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

- Audit of a complete set of financial statements of a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)²² does not apply).

...

²² ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Illustration 2 – Qualified Opinion When a Material Uncertainty Exists and the Financial Statements Are Materially Misstated Due to Inadequate Disclosure

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

- Audit of a complete set of financial statements of a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

...

Illustration 3 – Adverse Opinion When a Material Uncertainty Exists and Is Not Disclosed in the Financial Statements

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

- Audit of a complete set of financial statements of an entity other than a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

...

ISA 600 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF GROUP FINANCIAL STATEMENTS (INCLUDING THE WORK OF COMPONENT AUDITORS)

...

Appendix 1

(Ref: Para. A45)

Illustration of Independent Auditor's Report Where the Group Auditor Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion

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

- Audit of a complete set of consolidated financial statements of an entity other than a publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).

...

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements²³

...

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 2 in ISA 700 (Revised). The last two paragraphs which are applicable for audits of publicly traded entities only would not be included.]

...

ISA 700 (REVISED), FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

...

Requirements

...

Auditor's Report

...

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

...

Key Audit Matters

30. For audits of complete sets of general purpose financial statements of publicly traded entities, the auditor shall communicate key audit matters in the auditor's report in accordance with ISA 701.
31. When the auditor is otherwise required by law or regulation or decides to communicate key audit matters in the auditor's report, the auditor shall do so in accordance with ISA 701. (Ref: Para. A41–A44)

...

Auditor's Responsibilities for the Audit of the Financial Statements

...

40. The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report also shall: (Ref: Para. A51)
 - (a) State that the auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including

²³ The sub-title "Report on the Audit of the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

any significant deficiencies in internal control that the auditor identifies during the audit;

- (b) State that the auditor provides those charged with governance with a statement that the auditor has:
 - (i) Complied with relevant ethical requirements regarding independence; and
 - (ii) For audits of financial statements of publicly traded entities, communicated with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied; and
- (c) For audits of financial statements of publicly traded entities and any other entities for which key audit matters are communicated in accordance with ISA 701, state that, from the matters communicated with those charged with governance, the auditor determines 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. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. (Ref: Para. A54)

...

Name of the Engagement Partner

- 46. The name of the engagement partner shall be included in the auditor's report on financial statements of publicly traded entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. In the rare circumstances that the auditor intends not to include the name of the engagement partner in the auditor's report, the auditor shall discuss this intention with those charged with governance to inform the auditor's assessment of the likelihood and severity of a significant personal security threat. (Ref: Para. A62–A64)

...

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. A71–A72)
 - (a) ...
 - (l) For audits of complete sets of general purpose financial statements of publicly traded 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) ...

...

Application and Other Explanatory Material

...

Auditor's Report (Ref: Para. 20)

...

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

...

Key Audit Matters (Ref: Para. 31)

- A41. This ISA requires communication of key audit matters for audits of financial statements of publicly traded entities. Law or regulation may also require communication of key audit matters for audits of entities other than publicly traded entities for example, entities characterized in such law or regulation as public interest entities.
- A42. The auditor may also decide to communicate key audit matters for entities other than publicly traded entities if the auditor determines that there is significant public interest in the financial condition of those entities.²⁴ Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities.
- A43. ISA 210 requires the auditor to agree the terms of the audit engagement with management and those charged with governance, as appropriate, and explains that the roles of management and those charged with governance in agreeing the terms of the audit engagement for the entity depend on the governance arrangements of the entity and relevant law or regulation.²⁵ ISA 210 also requires the audit engagement letter or other suitable form of written agreement to include reference to the expected form and content of any reports to be issued by the auditor.²⁶ When the auditor is not otherwise required to communicate key audit matters, ISA 210²⁷ explains that it may be helpful for the auditor to make reference in the terms of the audit engagement to the possibility of communicating key audit matters in the auditor's report and, in certain jurisdictions, it may be necessary for the auditor to include a reference to such possibility in order to retain the ability to do so.

Considerations specific to public sector entities

- A44. Publicly traded entities are not common in the public sector. However, public sector entities may be significant due to size, complexity or public interest aspects. In such cases, an auditor of a public sector entity may be required by law or regulation or may otherwise decide to communicate key audit matters in the auditor's report.

...

Name of the Engagement Partner (Ref: Para. 46)

²⁴ ISA 200, paragraph A13A

²⁵ ISA 210, paragraphs 9 and A22

²⁶ ISA 210, paragraph 10

²⁷ ISA 210, paragraph A25

A62. The objective of the firm in ISQM 1²⁸ is to design, implement and operate a system of quality management that provides the firm with reasonable assurance that:

- The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

Notwithstanding the objective of ISQM 1, naming the engagement partner in the auditor's report is intended to provide further transparency to the users of the auditor's report on the financial statements of a publicly traded entity.

A63. Law, regulation or national auditing standards may require that the auditor's report include the name of the engagement partner responsible for audits other than those of financial statements of publicly traded entities. The auditor may also be required by law, regulation or national auditing standards, or may decide to include additional information beyond the engagement partner's name in the auditor's report to further identify the engagement partner, for example, the engagement partner's professional license number that is relevant to the jurisdiction where the auditor practices.

A64. In rare circumstances, the auditor may identify information or be subject to experiences that indicate the likelihood of a personal security threat that, if the identity of the engagement partner is made public, may result in physical harm to the engagement partner, other engagement team members or other closely related individuals. However, such a threat does not include, for example, threats of legal liability or legal, regulatory or professional sanctions. Discussions with those charged with governance about circumstances that may result in physical harm may provide additional information about the likelihood or severity of the significant personal security threat. Law, regulation or national auditing standards may establish further requirements that are relevant to determining whether the disclosure of the name of the engagement partner may be omitted.

...

Appendix

(Ref: Para A19)

Illustrations of Independent Auditor's Reports on Financial Statements

- Illustration 1: An auditor's report on financial statements of a publicly traded entity prepared in accordance with a fair presentation framework
- Illustration 2: An auditor's report on consolidated financial statements of a publicly traded entity prepared in accordance with a fair presentation framework
- Illustration 3: An auditor's report on financial statements of an entity other than a publicly traded entity prepared in accordance with a fair presentation framework (where reference is made to material that is located on a website of an appropriate authority)

²⁸ ISQM 1, *Quality Control for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraph 14

- Illustration 4: An auditor's report on financial statements of an entity other than a publicly traded entity prepared in accordance with a general purpose compliance framework

Illustration 1 – Auditor's Report on Financial Statements of a Publicly Traded 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 publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

...

Illustration 2 – Auditor's Report on Consolidated Financial Statements of a Publicly Traded 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 consolidated financial statements of a publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).

...

Illustration 3 – Auditor's Report on Financial Statements of an Entity Other than a Publicly Traded 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 an entity other than a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

...

- The auditor elects to refer to the description of the auditor's responsibility included on a website of an appropriate authority.

...

Illustration 4 – Auditor’s Report on Financial Statements of an Entity Other than a Publicly Traded Entity Prepared in Accordance with a General Purpose Compliance Framework

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

- **Audit of a complete set of financial statements of an entity other than a publicly traded entity required by law or regulation. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

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

...

Responsibilities of Management and Those Charged with Governance for the Financial Statements²⁹

...

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.

²⁹ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

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:

- ...

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.

...

ISA 701, COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT AUDITOR'S REPORT

Introduction

Scope of this ISA

...

5. This ISA applies to audits of complete sets of general purpose financial statements of publicly traded entities and circumstances when the auditor otherwise decides to communicate key audit matters in the auditor's report. This ISA also applies when the auditor is required by law or regulation to communicate key audit matters in the auditor's report.³⁰ However, ISA 705 (Revised) prohibits the auditor from communicating key audit matters when the auditor disclaims an opinion on the financial statements, unless such reporting is required by law or regulation.³¹

...

Application and Other Explanatory Material

...

Communicating Key Audit Matters

...

Form and Content of the Key Audit Matters Section in Other Circumstances (Ref: Para. 16)

...

³⁰ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraphs 30–31

³¹ ISA 705 (Revised), paragraph 29

- A59. The determination of key audit matters involves making a judgment about the relative importance of matters that required significant auditor attention. Therefore, it may be rare that the auditor of a complete set of general purpose financial statements of a publicly traded entity would not determine at least one key audit matter from the matters communicated with those charged with governance to be communicated in the auditor's report. However, in certain limited circumstances (e.g., for a publicly traded entity that has very limited operations), the auditor may determine that there are no key audit matters in accordance with paragraph 10 because there are no matters that required significant auditor attention.

...

ISA 705 (REVISED), MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

...

Appendix

(Ref: Para A17–A18, A25)

Illustrations of Independent Auditor's Reports with Modifications to the Opinion

- Illustration 1: An auditor's report containing a qualified opinion due to a material misstatement of the financial statements.
- Illustration 2: An auditor's report containing an adverse opinion due to a material misstatement of the consolidated financial statements.
- Illustration 3: An auditor's report containing a qualified opinion due to the auditor's inability to obtain sufficient appropriate audit evidence regarding a foreign associate.
- Illustration 4: An auditor's report containing a disclaimer of opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about a single element of the consolidated financial statements.
- Illustration 5: An auditor's report containing a disclaimer of opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements.

Illustration 1 – Qualified Opinion due to a Material Misstatement of the Financial Statements

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

- **Audit of a complete set of financial statements of a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)³² does not apply).**

...

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

Illustration 2 – Adverse Opinion due to a Material Misstatement of the Consolidated Financial Statements

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

- Audit of a complete set of financial statements of a publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).

...

Illustration 3 – Qualified Opinion due to the Auditor's Inability to Obtain Sufficient Audit Evidence Regarding a Foreign Associate

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

- Audit of a complete set of consolidated financial statements of a publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).

...

Illustration 4 – Disclaimer of Opinion due to the Auditor's Inability to Obtain Sufficient Appropriate Audit Evidence about a Single Element of the Consolidated Financial Statements

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

- Audit of a complete set of consolidated financial statements of an entity other than a publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).

...

Illustration 5 – Disclaimer of Opinion due to the Auditor's Inability to Obtain Sufficient Appropriate Audit Evidence about Multiple Elements of the Financial Statements

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

- Audit of a complete set of financial statements of an entity other than a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised), does not apply).

...

ISA 706 (REVISED), EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER

PARAGRAPHS IN THE INDEPENDENT AUDITOR’S REPORT

...

Application and Other Explanatory Material

...

Placement of Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Auditor’s Report (Ref: Para. 9, 11)

...

A17. Appendix 3 is an illustration of the interaction between the Key Audit Matters section, an Emphasis of Matter paragraph and an Other Matter paragraph when all are presented in the auditor’s report. The illustrative report in Appendix 4 includes an Emphasis of Matter paragraph in an auditor’s report for an entity other than a publicly traded entity that contains a qualified opinion and for which key audit matters have not been communicated.

...

Appendix 3

(Ref: Para A17)

Illustration of an Independent Auditor’s Report that Includes a Key Audit Matters Section, an Emphasis of Matter Paragraph, and an Other Matter Paragraph

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

- Audit of a complete set of financial statements of a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)³³ does not apply).

...

Appendix 4

(Ref: Para A8)

Illustration of an Independent Auditor’s Report Containing a Qualified Opinion Due to a Departure from the Applicable Financial Reporting Framework and that Includes an Emphasis of Matter Paragraph

³³ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

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

- **Audit of a complete set of financial statements of an entity other than a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

ISA 710, COMPARATIVE INFORMATION—CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS

...

Appendix

(Ref: Para A5, A7, A10)

Illustrations of Independent Auditors' Reports

Illustration 1 – Corresponding Figures

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

- **Audit of a complete set of financial statements of an entity other than a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)³⁴ does not apply).**

...

Illustration 2 – Corresponding Figures

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

- **Audit of a complete set of financial statements of an entity other than a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

³⁴ ISA 600 (Revised), Special Considerations—*Audits of Group Financial Statements (Including the Work of Component Auditors)*

Illustration 3 – Corresponding Figures

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

- **Audit of a complete set of financial statements of an entity other than a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

Illustration 4 – Comparative Financial Statements

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

- **Audit of a complete set of financial statements of an entity other than a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

ISA 720 (REVISED), THE AUDITOR’S RESPONSIBILITIES RELATING TO OTHER INFORMATION

Introduction

...

Scope of this ISA

...

6. The auditor’s responsibilities relating to other information (other than applicable reporting responsibilities) apply regardless of whether the other information is obtained by the auditor prior to, or after, the date of the auditor’s report.

...

Requirements

...

Reporting

21. The auditor’s report shall include a separate section with a heading “Other Information”, or other appropriate heading, when, at the date of the auditor’s report:
 - (a) For an audit of financial statements of a publicly traded entity, the auditor has obtained, or expects to obtain, the other information; or
 - (b) For an audit of financial statements of an entity other than a publicly traded entity, the auditor

has obtained some or all of the other information. (Ref: Para. A52)

22. When the auditor's report is required to include an Other Information section in accordance with paragraph 21, this section shall include: (Ref: Para. A53)
- (a) A statement that management is responsible for the other information;
 - (b) An identification of:
 - (i) Other information, if any, obtained by the auditor prior to the date of the auditor's report; and
 - (ii) For an audit of financial statements of a publicly traded entity, other information, if any, expected to be obtained after the date of the auditor's report;
 - (c) A statement that the auditor's opinion does not cover the other information and, accordingly, that the auditor does not express (or will not express) an audit opinion or any form of assurance conclusion thereon;
 - (d) A description of the auditor's responsibilities relating to reading, considering and reporting on other information as required by this ISA; and
 - (e) When other information has been obtained prior to the date of the auditor's report, either:
 - (i) A statement that the auditor has nothing to report; or
 - (ii) If the auditor has concluded that there is an uncorrected material misstatement of the other information, a statement that describes the uncorrected material misstatement of the other information.

...

Application and Other Explanatory Material

...

Obtaining the Other Information (Ref: Para. 13)

...

- A12. When the annual report is translated into other languages pursuant to law or regulation (such as may occur when a jurisdiction has more than one official language), or when multiple "annual reports" are prepared under different legislation (for example, when an entity is publicly traded in more than one jurisdiction), consideration may need to be given as to whether one, or more than one of the "annual reports" form part of the other information. Local law or regulation may provide further guidance in this respect.

...

Reporting (Ref: Para. 21–24)

- A52. For an audit of financial statements of an entity other than a publicly traded entity, the auditor may consider that the identification in the auditor's report of other information that the auditor expects to obtain after the date of the auditor's report would be appropriate in order to provide additional

transparency about the other information that is subject to the auditor's responsibilities under this ISA. The auditor may consider it appropriate to do so, for example, when management is able to represent to the auditor that such other information will be issued after the date of the auditor's report.

...

Appendix 2

(Ref: Para. 21-22, A53)

Illustration of Independent Auditor's Reports Relating to Other Information

- Illustration 1: An auditor's report of any entity containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.
- Illustration 2: An auditor's report of a publicly traded entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.
- Illustration 3: An auditor's report of an entity other than a publicly traded entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.
- Illustration 4: An auditor's report of a publicly traded entity containing an unmodified opinion when the auditor has obtained no other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report.
- Illustration 5: An auditor's report of any entity containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has concluded that a material misstatement of the other information exists.
- Illustration 6: An auditor's report of any entity containing a qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and there is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.
- Illustration 7: An auditor's report of any entity containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and the adverse opinion on the consolidated financial statements also affects the other information.

Illustration 1 – An auditor’s report of any entity—containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information.

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

- **Audit of a complete set of financial statements of any entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)³⁵ does not apply).**

...

- **Key audit matters have been communicated in accordance with ISA 701.³⁶**

...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of Financial Statements³⁷

...

Key Audit Matters³⁸

...

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor’s report is [name].³⁹]

...

³⁵ ISA 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)

³⁶ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*. The Key Audit Matters section is required for publicly traded entities only.

³⁷ The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

³⁸ The Key Audit Matters section is required for publicly traded entities only.

³⁹ The name of the engagement partner is included in the auditor’s report for audits of complete sets of general purpose financial statements of publicly traded entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

Illustration 2 – An auditor’s report of a publicly traded entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor’s report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor’s report.

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

- **Audit of a complete set of financial statements of a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of Financial Statements⁴⁰

...

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor’s report is [name].⁴¹]

...

Illustration 3 – An auditor’s report of an entity other than a publicly traded entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor’s report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor’s report.

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

- **Audit of a complete set of financial statements of an entity other than a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

⁴⁰ The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

⁴¹ The name of the engagement partner is included in the auditor’s report for audits of complete sets of general purpose financial statements of publicly traded entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

Illustration 4 – An auditor’s report of a publicly traded entity containing an unmodified opinion when the auditor has obtained no other information prior to the date of the auditor’s report but expects to obtain other information after the date of the auditor’s report.

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

- **Audit of a complete set of financial statements of a publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

Illustration 5 – An auditor’s report of any entity containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and has concluded that a material misstatement of the other information exists.

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

- **Audit of a complete set of financial statements of any entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

INDEPENDENT AUDITOR’S REPORT

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

...

Key Audit Matters⁴²

...

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor’s report is *[name]*.⁴³]

...

⁴² The Key Audit Matters section is required for publicly traded entities only.

⁴³ The name of the engagement partner is included in the auditor’s report for audits of complete sets of general purpose financial statements of publicly traded entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

Illustration 6 – An auditor’s report of any entity containing a qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and there is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.

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

- **Audit of a complete set of consolidated financial statements of any entity using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).**

...

INDEPENDENT AUDITOR’S REPORT

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

...

Key Audit Matters⁴⁴

...

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 2 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor’s report is [name].⁴⁵]

...

Illustration 7 – An auditor’s report of any entity containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and the adverse opinion on the consolidated financial statements also affects the other information.

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

- **Audit of a complete set of consolidated financial statements of any entity using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).**

...

INDEPENDENT AUDITOR’S REPORT

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

...

⁴⁴ The Key Audit Matters section is required for publicly traded entities only.

⁴⁵ The name of the engagement partner is included in the auditor’s report for audits of complete sets of general purpose financial statements of publicly traded entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

Key Audit Matters⁴⁶

...

Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 2 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor's report is *[name]*.⁴⁷]

...

ISA 800 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORKS

...

Application and Other Explanatory Material

...

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

...

Application of ISA 700 (Revised) When Reporting on Special Purpose Financial Statements

...

Key Audit Matters

A16. ISA 700 (Revised) requires the auditor to communicate key audit matters in accordance with ISA 701⁴⁸ for audits of complete sets of general purpose financial statements of publicly traded entities. For audits of special purpose financial statements, ISA 701 only applies when communication of key audit matters in the auditor's report on the special purpose financial statements is required by law or regulation or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on special purpose financial statements, ISA 701 applies in its entirety.⁴⁹

Other Information

A17. ISA 720 (Revised) deals with the auditor's responsibilities relating to other information. In the context of this ISA, reports containing or accompanying the special purpose financial statements—the

⁴⁶ The Key Audit Matters section is required for publicly traded entities only.

⁴⁷ The name of the engagement partner is included in the auditor's report for audits of complete sets of general purpose financial statements of publicly traded entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

⁴⁸ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

⁴⁹ ISA 700 (Revised), paragraph 31

purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the special purpose financial statements—are considered to be annual reports for the purpose of ISA 720 (Revised). In the case of financial statements prepared using a special purpose framework, the term “similar stakeholders” includes the specific users whose financial information needs are met by the design of the special purpose framework used to prepare the special purpose financial statements. When the auditor determines that the entity plans to issue such a report, the requirements in ISA 720 (Revised) apply to the audit of the special purpose financial statements.

Name of the Engagement Partner

A18. The requirement in ISA 700 (Revised) for the auditor to include the name of the engagement partner in the auditor’s report also applies to audits of special purpose financial statements of publicly traded entities.⁵⁰ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor’s report or may otherwise decide to do so when reporting on special purpose financial statements of entities other than publicly traded entities.

...

Appendix

(Ref: Para. A13 and A21)

Illustrations of Independent Auditor’s Reports on Special Purpose Financial Statements

- Illustration 1: An auditor’s report on a complete set of financial statements of an entity other than a publicly traded entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).
- Illustration 2: An auditor’s report on a complete set of financial statements of an entity other than a publicly traded entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).
- Illustration 3: An auditor’s report on a complete set of financial statements of a publicly traded entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

Illustration 1: An auditor’s report on a complete set of financial statements of an entity other than a publicly traded entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

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

- **The financial statements have been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks.**

...

⁵⁰ See ISA 700 (Revised), paragraphs 46 and A62–A64

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Emphasis of Matters – Basis of Accounting and Restriction on Distribution and Use

...

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁵¹

...

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 ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) 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:

- ...

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.

⁵¹ 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.

...

Illustration 2: An auditor's report on a complete set of financial statements of an entity other than a publicly traded entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

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

- **Audit of a complete set of financial statements that have been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist partners in preparing their individual income tax return. Management does not have a choice of financial reporting frameworks.**

...

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Emphasis of Matters – Basis of Accounting and Restriction on Distribution

...

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁵²

...

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 International Standards on Auditing (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.

⁵² Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) 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:

- ...

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.

...

Illustration 3: An auditor's report on a complete set of financial statements of a publicly traded entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, 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 publicly traded entity that have been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator (that is, a special purpose framework) to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.**

...

ISA 805 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

...

Application and Other Explanatory Material

...

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

...

Application of ISA 700 (Revised) When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement

...

Key Audit Matters

A20. ISA 700 (Revised) requires the auditor to communicate key audit matters in accordance with ISA 701 for audits of complete sets of general purpose financial statements of publicly traded entities.⁵³ For audits of a single financial statement or a specific element of a financial statement, ISA 701 only applies when communication of key audit matters in the auditor's report on such financial statements or elements is required by law or regulation, or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on a single financial statement or a specific element of a financial statement, ISA 701 applies in its entirety.⁵⁴

Other Information

A21. ISA 720 (Revised) deals with the auditor's responsibilities relating to other information. In the context of this ISA, reports containing or accompanying the single financial statement or specific element of a financial statement—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the single financial statement or the specific element of a financial statement—are considered to be annual reports for purposes of ISA 720 (Revised). When the auditor determines that the entity plans to issue such a report, the requirements in ISA 720 (Revised) apply to the audit of the single financial statement or the element.

Name of the Engagement Partner

A22. The requirement in ISA 700 (Revised) for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of single financial statements of publicly traded entities or specific elements of financial statements of publicly traded entities.⁵⁵ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a single financial statement or on an element of a financial statement of entities other than publicly traded entities.

...

Appendix 2

(Ref: Para. A17)

Illustrations of Independent Auditor's Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

- Illustration 1: An auditor's report on a single financial statement of an entity other than a publicly traded entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 2: An auditor's report on a single financial statement of an entity other than a publicly

⁵³ ISA 700 (Revised), paragraph 30

⁵⁴ ISA 700 (Revised), paragraph 31

⁵⁵ See ISA 700 (Revised), paragraphs 46 and A62–A64.

traded entity prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).

- Illustration 3: An auditor's report on a specific element of a financial statement of a publicly traded entity prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

Illustration 1: An auditor's report on a single financial statement of an entity other than a publicly traded entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).

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

- **Audit of a balance sheet (that is, a single financial statement) of an entity other than a publicly traded entity.**

...

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Material Uncertainty Related to Going Concern

...

Responsibilities of Management and Those Charged with Governance for the Financial Statement⁵⁶

...

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 this financial statement.

⁵⁶ 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.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) 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:

- ...

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.

...

Illustration 2: An auditor's report on a single financial statement of an entity other than a publicly traded entity prepared in accordance with a special purpose framework.

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

- **Audit of a statement of cash receipts and disbursements (that is, a single financial statement) of an entity other than a publicly traded entity.**

...

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Emphasis of Matter – Basis of Accounting

...

Responsibilities of Management and Those Charged with Governance for the Financial Statement⁵⁷

...

Auditor's Responsibilities for the Audit of the Financial Statements

⁵⁷ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

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 this financial statement.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) 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:

- ...

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.

...

Illustration 3: An auditor's report on a specific element of a financial statement of a publicly traded entity prepared in accordance with a special purpose framework.

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

- **Audit of an accounts receivable schedule (that is, element, account or item of a financial statement).**

...

ISA 810 (REVISED), ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS

...

Appendix

(Ref: Para. A23)

Illustrations of Independent Auditor's Reports on Summary Financial Statements

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which summary financial statements are derived. The

auditor's report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.

...

<p><u>Illustration 1:</u></p> <p>Circumstances include the following:</p> <ul style="list-style-type: none"> • An unmodified opinion is expressed on the audited financial statements of a publicly traded entity. <p>...</p>

ISRE 2400 (Revised), Engagements to Review Historical Financial Statements

...

Requirements

...

The Practitioner's Report

86. The practitioner's report for the review engagement shall be in writing, and shall contain the following elements: (Ref: Para. A122–A125, A146, A148)

- (a) ...
- (j) A reference to the practitioner's obligation under this ISRE to comply with relevant ethical requirements;
- (j)A If the relevant ethical requirements require the practitioner to publicly disclose when the practitioner applied independence requirements specific to reviews of financial statements of certain entities, the practitioner's report shall include a statement that:
 - (i) Identifies the jurisdiction of origin of the relevant ethical requirements or refers to the IESBA Code; and
 - (ii) Indicates that the practitioner is independent of the entity in accordance with the independence requirements applicable to reviews of financial statements of those entities. (Ref. Para. A137A)
- (k) The date of the practitioner's report; (Ref: Para. A142–A145)
- (l) The practitioner's signature; and (Ref: Para. A136)
- (m) The location in the jurisdiction where the practitioner practices.

...

Application and Other Explanatory Material

...

The Practitioner's Report (Ref: Para. 86–92)

...

The Practitioner's Responsibility (Ref: Para. 86(f))

...

Relevant Ethical Requirements (Ref. Para. 86(j)A(ii))

A137A. Relevant ethical requirements may:

- Establish independence requirements that are applicable to reviews of financial statements of certain entities specified in the relevant ethical requirements, such as the independence requirements for reviews of financial statements of public interest entities in the IESBA Code. Relevant ethical requirements may also require or encourage the practitioner to determine whether it is appropriate to apply such independence requirements to reviews of financial statements of entities other than those entities specified in the relevant ethical requirements.
- Require the practitioner to publicly disclose when the practitioner applied independence requirements applicable to reviews of financial statements of certain entities. For example, the IESBA Code requires that when a firm has applied the independence requirements for public interest entities in performing a review of the financial statements of an entity, the firm publicly disclose that fact, unless making such disclosure would result in disclosing confidential future plans of the entity.⁵⁸ The following illustrates the disclosure in the practitioner's report when the IESBA Code comprises all of the relevant ethical requirements that apply to the review engagement:

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), as applicable to reviews of financial statements of public interest entities.

...

⁵⁸ IESBA Code, paragraphs R400.20-R400.21