



IAASB Main Agenda (December 2014)

**Agenda Item
2-D**

PROPOSED INTERNATIONAL STANDARD ON AUDITING 720 (REVISED)

**THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER
INFORMATION**

(Effective for audits of financial statements for periods ending on or after [date])

[CLEAN]

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Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to other information, whether financial or non-financial information (other than financial statements and the auditor's report thereon), included in an entity's annual report. An entity's annual report may be a single document or a combination of documents that serve the same purpose.
2. This ISA is written in the context of an audit of financial statements by an independent auditor. Accordingly, the objectives of the auditor in this ISA are to be understood in the context of the overall objectives of the auditor as stated in paragraph 11 of ISA 200.¹ The requirements in the ISAs are designed to enable the auditor to achieve the objectives specified in the ISAs, and thereby the overall objectives of the auditor. The auditor's opinion on the financial statements does not cover the other information, nor does this ISA require the auditor to obtain audit evidence beyond that required to form an opinion on the financial statements.
3. This ISA requires the auditor to read and consider the other information because other information that is materially inconsistent with the financial statements or the auditor's knowledge obtained in the audit may indicate that there is a material misstatement of the financial statements or that a material misstatement of the other information exists, either of which may undermine the credibility of the financial statements and the auditor's report thereon. Such material misstatements may also inappropriately influence the economic decisions of the users for whom the auditor's report is prepared.
4. This ISA may also assist the auditor in complying with relevant ethical requirements² that require the auditor to avoid being knowingly associated with information that the auditor believes contains a materially false or misleading statement, statements or information furnished recklessly, or omits or obscures information required to be included where such omission or obscurity would be misleading.
5. Other information may include amounts or other items that are intended to be the same as, to summarize, or to provide greater detail, about amounts or other items in the financial statements, and other amounts or other items about which the auditor has obtained knowledge in the audit. Other information may also include other matters.
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.
7. This ISA does not apply to:

¹ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

² See paragraph 110.2 of the International Ethics Standards Board for Accountants, *Code of Ethics for Professional Accountants*.

- (a) Preliminary announcements of financial information; or
 - (b) Securities offering documents, including prospectuses.
8. The auditor's responsibilities under this ISA do not constitute an assurance engagement on other information or impose an obligation on the auditor to obtain assurance about the other information.
9. Law or regulation may impose additional obligations on the auditor in relation to other information that are beyond the scope of this ISA.

Effective Date

10. This ISA is effective for audits of financial statements for periods ending on or after [date].

Objectives

11. The objectives of the auditor, having read the other information, are:
- (a) To consider whether there is a material inconsistency between the other information and the financial statements;
 - (b) To consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit;
 - (c) To respond appropriately when the auditor identifies that such material inconsistencies appear to exist, or when the auditor otherwise becomes aware that other information appears to be materially misstated; and
 - (d) To report in accordance with this ISA.

Definitions

12. For purposes of the ISAs, the following terms have the meanings attributed below:
- (a) Annual report – A document, or combination of documents, prepared by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements. An annual report contains or accompanies the financial statements and the auditor's report thereon and usually includes information about the entity's developments, its future outlook and risks and uncertainties, a statement by the entity's governing body, and reports covering governance matters. (Ref: Para. A1–A4)
 - (b) Misstatement of the other information – A misstatement of the other information exists when the other information is incorrectly stated or otherwise misleading (including because it omits or obscures information necessary for a proper understanding of a matter disclosed in the other information). A material misstatement of the other information may inappropriately influence the economic decisions of users. (Ref: Para. A4A–A4B)

- (c) Other information – Financial or non-financial information (other than financial statements and the auditor’s report thereon) included in an entity’s annual report. (Ref: Para. A5–A7)

Requirements

Obtaining the Other Information

- 13. The auditor shall: (Ref: Para. A8–A18)
 - (a) Determine, through discussion with management, which document(s) comprises the annual report, and the entity’s planned manner and timing of the issuance of such document(s);
 - (b) Make appropriate arrangements with management to obtain in a timely manner and, if possible, prior to the date of the auditor’s report, the final version of the document(s) comprising the annual report; and
 - (c) When some or all of the document(s) determined in (a) will not be available until after the date of the auditor’s report, request management to provide a written representation that the final version of the document(s) will be provided to the auditor when available, and prior to its issuance by the entity, such that the auditor can complete the procedures required by this ISA. (Ref: Para. A19)

Reading and Considering the Other Information

- 14. The auditor shall read the other information (that is, the documents determined to comprise the annual report in accordance with paragraph 13(a)) and, in doing so shall: (Ref: Para. A20–A21)
 - (a) Consider whether there is a material inconsistency between the other information and the financial statements. As the basis for this consideration, the auditor shall perform comparison procedures on selected amounts or other items to evaluate the consistency of the amounts or other items in the other information that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements, with such amounts or other items in the financial statements; and (Ref: Para. A22–A26)
 - (b) Consider whether there is a material inconsistency between the other information and the auditor’s knowledge obtained in the audit through the auditor’s recollection of relevant matters and, only if necessary to support that recollection, by referring to relevant audit documentation or making inquiries of other relevant members of the engagement team or relevant component auditors. (Ref: Para. A27–A32)
- 15A. While reading the other information in accordance with paragraph 14, the auditor shall remain alert for indications that the other information not related to the financial statements or the auditor’s knowledge obtained in the audit appears to be materially misstated. (Ref: Para. A33–A33A)

Responding When a Material Inconsistency Appears to Exist or Other Information Appears to be Materially Misstated

- 16. If the auditor identifies that a material inconsistency appears to exist (or becomes aware that the other information appears to be materially misstated), the auditor shall discuss the matter with

management and, if necessary, perform other procedures to determine whether: (Ref: Para. A34–A38)

- (a) A material misstatement of the other information exists;
- (b) A material misstatement of the financial statements exists; or
- (c) The auditor’s understanding of the entity and its environment needs to be updated.

Responding When the Auditor Determines That a Material Misstatement of Other Information Exists

- 17. If the auditor determines that a material misstatement of the other information exists, the auditor shall request management to correct the other information. If management:
 - (a) Agrees to make the correction, the auditor shall determine that the correction has been made; or
 - (b) Refuses to make the correction, the auditor shall communicate the matter with those charged with governance and request that the correction be made.
- 18. If the auditor determines that a material misstatement exists in other information obtained prior to the date of the auditor’s report, and the other information is not corrected after communicating with those charged with governance, the auditor shall take appropriate action, including: (Ref: Para. A39)
 - (a) Considering the implications for the auditor’s report and communicating with those charged with governance about how the material misstatement is planned to be addressed in the auditor’s report (see paragraph 21A(d)(ii)); or (Ref: Para. A40)
 - (b) Withdrawing from the engagement, where withdrawal is possible under applicable law or regulation. (Ref: Para. A41–A42)
- 19. If the auditor determines that a material misstatement exists in other information obtained after the date of the auditor’s report, the auditor shall:
 - (a) If the other information is corrected after communicating with those charged with governance, perform the procedures necessary in the circumstances; or (Ref: Para. A43)
 - (b) If the other information is not corrected after communicating with those charged with governance, take appropriate action considering the auditor’s legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom the auditor’s report is prepared. (Ref: Para. A44–A45)

Responding When a Material Misstatement in the Financial Statements Exists or the Auditor’s Understanding of the Entity and Its Environment Needs to Be Updated

- 20. If, as a result of performing the procedures in paragraphs 14–16, the auditor identifies that a material misstatement in the financial statements exists or the auditor’s understanding of the entity

and its environment needs to be updated, the auditor shall respond appropriately in accordance with the other ISAs. (Ref: Para. A46)

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 listed 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 listed entity, the auditor has obtained some or all of the other information,
- 21A. When the auditor's report is required to include an Other Information section in accordance with paragraph 21, this section shall include: (Ref: Para. A47)
- (a) 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 listed entity, other information, if any, expected to be obtained after the date of the auditor's report;
 - (b) 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.
 - (c) A description of the auditor's responsibilities relating to reading, considering and reporting on other information as required by this ISA;
 - (d) 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 determined that there is an uncorrected material misstatement of the other information, a statement that describes the uncorrected material misstatement of the other information.
22. When the auditor expresses a qualified or adverse opinion in accordance with ISA 705 (Revised)³, the auditor shall consider the implications of the matter giving rise to the modification of opinion for the statement required in paragraph 21A(d). (Ref: Para. A50–A54)

Reporting Prescribed by Law or Regulation

23. If the auditor is required by law or regulation of a specific jurisdiction to refer to the other information in the auditor's report using a specific layout or wording, the auditor's report shall refer to

³ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

International Standards on Auditing only if the auditor's report includes, at a minimum: (Ref: Para. A55)

- (a) Identification of the other information obtained by the auditor prior to the date of the auditor's report; and
- (b) A description of the auditor's responsibilities with respect to the other information; and
- (c) An explicit statement addressing the outcome of the auditor's work for this purpose.

Documentation

24. In addressing the requirements of ISA 230⁴ as it applies to this ISA, the auditor shall include in the audit documentation: (Ref: Para. A55A)
- (a) Documentation of the procedures performed under this ISA; and
 - (b) The final version of the other information on which the auditor has performed the work required under this ISA.

Application and Other Explanatory Material

Definitions

Annual Report (Ref: Para. 12(a))

- A1. Law, regulation or custom may define the content of an annual report, and the name by which it is to be referred, for entities in a particular jurisdiction; however, the content, and the name may vary within a jurisdiction and from one jurisdiction to another.
- A1A. An annual report is typically prepared on an annual basis. However, when financial statements are prepared for a period less than or more than a year, an annual report may also be prepared that covers the same period as the financial statements.
- A1B. In some cases, an entity's annual report may be a single document and referred to by the title "annual report" or by some other title. In other cases, law, regulation or custom may require the entity to report to owners (or similar stakeholders) information on the entity's operations and the entity's financial results and financial position as set out in the financial statements (i.e., an annual report) by way of a single document, or by way of two or more separate documents that in combination serve the same purpose. For example, depending on law, regulation or custom in a particular jurisdiction, one or more of the following documents may form part of the annual report:
- Management report, management commentary, or operating and financial review or similar reports by those charged with governance (for example, a directors' report).
 - Chairman's statement.

⁴ ISA 230, *Audit Documentation*, paragraphs 8-11

- Corporate governance statement.
 - Internal control and risk assessment reports.
- A2. An annual report may be made available to users in printed form, or electronically, including on the entity's website. A document (or combination of documents) may meet the definition of an annual report, irrespective of the manner in which it is made available to users.
- A3. An annual report is different in nature, purpose and content from other reports, such as a report prepared to meet the information needs of a specific stakeholder group or a report prepared to comply with a specific regulatory reporting objective (even when such a report is required to be publicly available). Examples of reports that, when issued as standalone documents, are not typically part of the combination of documents that comprise an annual report (subject to law, regulation or custom), and that are, therefore, not other information within the scope of this ISA, include:
- Separate industry or regulatory reports (for example, capital adequacy reports), such as may be prepared in the banking, insurance, and pension industries.
 - Corporate social responsibility reports.
 - Sustainability reports.
 - Diversity and equal opportunity reports.
 - Product responsibility reports.
 - Labor practices and working conditions reports.
 - Human rights reports.

Misstatement of the Other Information (Ref: Para. 12(b))

- A4A. When a particular matter is disclosed in the other information, the other information may omit or obscure information that is necessary for a proper understanding of that matter. For example, if the other information purports to address the key performance indicators used by management, then omission of a key performance indicator used by management could indicate that the other information is misleading.
- A4B. The concept of materiality may be discussed in a framework applicable to the other information and, if so, such a framework may provide a frame of reference for the auditor in making judgments about materiality under this ISA. In many cases, however, there may be no applicable framework that includes a discussion of the concept of materiality as it applies to the other information. In such circumstances, the following characteristics provide the auditor with a frame of reference in determining if a misstatement of the other information is material:
- Materiality is considered in the context of the common information needs of users as a group. The users of the other information are expected to be the same as the users of the financial statements as such users may be expected to read the other information to provide context to the financial statements.

- Judgments about materiality take into account the specific circumstances of the misstatement, considering whether users would be influenced by the effect of the uncorrected misstatement. Not all misstatements will influence the economic decisions of users.
- Judgments about materiality involve both qualitative and quantitative considerations. Accordingly, such judgments may take into account the nature or magnitude of the items that the other information addresses in the context of the entity's annual report.

Other Information (Ref: Para. 12(c))

- A5. Appendix 1 contains examples of amounts or other items that may be included in the other information.
- A6. In some cases, the applicable financial reporting framework may require specific disclosures but permit them to be located outside of the financial statements.⁵ As such disclosures are required by the applicable financial reporting framework, they form part of the financial statements. Accordingly, they do not constitute other information for the purpose of this ISA.
- A7. eXtensible Business Reporting Language (XBRL) tags do not represent other information as defined in this ISA.

Obtaining the Other Information (Ref: Para. 13)

- A8. Determining the document(s) that is or comprise the annual report is often clear based on law, regulation or custom. In many cases, management or those charged with governance may have customarily issued a package of documents that together comprise the annual report, or may have committed to do so. In some cases, however, it may not be clear which document(s) is or comprise the annual report. In such cases, the timing and purpose of the documents (and for whom they are intended) are matters that may be relevant to the auditor's determination of which document(s) is or comprise the annual report.
- A9. 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 listed 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.

⁵ For example, IFRS 7, *Financial Instruments: Disclosures*, permits certain disclosures required by the IFRSs to either be given in the financial statements or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time.

- A10. Management, or those charged with governance, is responsible for preparing the annual report. The auditor may communicate with management or those charged with governance:
- The auditor's expectations in relation to obtaining the final version of the annual report (including a combination of documents that together comprise the annual report) in a timely manner prior to the date of the auditor's report such that the auditor can complete the procedures required by this ISA before the date of the auditor's report, or if that is not possible, as soon as practicable and in any case prior to the entity's issuance of such information.
 - The possible implications when the other information is obtained after the date of the auditor's report.
- A11. The communications referred to in paragraph A10 may be particularly appropriate for example:
- In an initial audit engagement.
 - When there has been a change in management or those charged with governance.
 - When other information is expected to be obtained after the date of the auditor's report.
- A12. Where those charged with governance are to approve the other information prior to its issuance by the entity, the final version of such other information is the one that has been approved by those charged with governance for issuance.
- A13. In some cases, the entity's annual report may be a single document to be released, in accordance with law or regulation or the entity's reporting practice, shortly after the entity's financial reporting period such that it is available to the auditor prior to the date of the auditor's report. In other cases, such a document may not be required to be released until a later time, or at a time of the entity's choosing. There may also be circumstances where the entity's annual report is a combination of documents, each subject to different requirements or reporting practice by the entity with respect to the timing of their release.
- A14. There may be circumstances where, at the date of the auditor's report, the entity is considering the development of a document that may be part of the entity's annual report (for example, a voluntary report to stakeholders) but management is unable to confirm to the auditor the purpose or timing of such a document. If the auditor is unable to ascertain the purpose or timing of such a document, the document is not considered other information for purposes of this ISA.
- A15. Obtaining the other information in a timely manner prior to the date of the auditor's report enables any revisions that are found to be necessary to be made to the financial statements, the auditor's report, or the other information prior to their issuance. The audit engagement letter⁶ may make reference to an agreement with management to make available to the auditor the other information in a timely manner, and if possible prior to the date of the auditor's report.

⁶ ISA 210, *Agreeing the Terms of Audit Engagements*, paragraph A23

- A16. When other information is only made available to users via the entity's website, the version of the other information obtained from the entity, rather than directly from the entity's website, is the relevant document on which the auditor would perform procedures in accordance with this ISA. The auditor has no responsibility under this ISA to search for other information, including other information that may be on the entity's website, nor to perform any procedures to confirm that other information is appropriately displayed on the entity's website or otherwise has been appropriately transmitted or displayed electronically.
- A17. The auditor is not precluded from dating or issuing the auditor's report if the auditor has not obtained some or all of the other information.
- A18. When the other information is obtained after the date of the auditor's report, the auditor is not required to update the procedures performed in accordance with paragraphs 6 and 7 of ISA 560.⁷
- A19. ISA 580⁸ establishes requirements and provides guidance on the use of written representations. The written representation required to be requested by paragraph 13(c) regarding other information that will be available only after the date of the auditor's report is intended to support the auditor's ability to complete the procedures required by this ISA with respect to such information. In addition, the auditor may find it useful to request other written representations, for example, that:
- Management has informed the auditor of all the documents that it expects to issue that may comprise other information;
 - The financial statements and any other information obtained by the auditor prior to the date of the auditor's report are consistent with one another, and the other information does not contain any material misstatements; and
 - With regard to other information that has not been obtained by the auditor prior to the date of the auditor's report, that management intends to prepare and issue such other information and the expected timing of such issuance.

Reading and Considering the Other Information (Ref: Para. 14–15A)

- A20. The auditor is required by ISA 200⁹ to plan and perform the audit with professional skepticism. Maintaining professional skepticism when reading and considering the other information includes, for example, recognizing that management may be overly optimistic about the success of its plans, and being alert to information that may be inconsistent with:
- (a) The financial statements; or
 - (b) The auditor's knowledge obtained in the audit.

⁷ ISA 560, *Subsequent Events*

⁸ ISA 580, *Written Representations*

⁹ ISA 200, paragraph 15

A21. In accordance with ISA 220,¹⁰ the engagement partner is required to take responsibility for the direction, supervision and performance of the audit engagement in compliance with professional standards and applicable legal and regulatory requirements. In the context of this ISA, factors that may be taken into account when determining the appropriate engagement team members to address the requirements of paragraph 14–15A, include:

- The relative experience of engagement team members.
- Whether the engagement team members to be assigned the tasks have the relevant knowledge obtained in the audit to identify inconsistencies between the other information and that knowledge.
- The degree of judgment involved in addressing the requirements of paragraph 14–15A. For example, performing procedures to evaluate the consistency of amounts in the other information that are intended to be the same as amounts in the financial statements may be carried out by less experienced engagement team members.
- Whether, in the case of a group audit, it is necessary to engage the assistance of a component auditor in addressing the other information related to that component.

Considering Whether There is a Material Inconsistency between the Other Information and the Financial Statements (Ref: Para. 14(a))

A22. Other information may include amounts or other items that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements. Examples of such amounts or other items may include:

- Tables, charts or graphs containing extracts of the financial statements.
- A disclosure providing greater detail about a balance or account shown in the financial statements, such as “Revenue for 20X1 comprised XXX million from product X and YYY million from product Y.”
- Descriptions of the financial results, such as “Total research and development expense was XXX in 20X1.”

A23. Determining the nature and extent of comparison procedures is a matter of professional judgment. Procedures that the auditor may perform to evaluate the consistency between the amounts or other items in the other information that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements, with such amounts or other items in the financial statements include:

- For information that is intended to be the same as information in the financial statements, comparing the information to the financial statements.

¹⁰ ISA 220, *Quality Control for an Audit of Financial Statements*, paragraph 15(a)

- For information intended to convey the same meaning as disclosures in the financial statements, comparing the words used and considering the significance of differences in wording used and whether such differences imply different meanings.
- Obtaining a reconciliation between an amount within the other information and the financial statements from management and:
 - Comparing items in the reconciliation to the financial statements and the other information; and
 - Determining whether the calculations within the reconciliation are arithmetically accurate.

A24. In evaluating the consistency of the other information with the financial statements, the auditor is not required to perform comparison procedures on all amounts or other items in the other information that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements, with such amounts or other items in the financial statements.

A24A. Selection of the amounts or other items to perform comparison procedures on is a matter of professional judgment. Factors relevant to this judgment include, for example:

- The significance of the amount or other item in the context in which it is presented, which may affect the importance that users would attach to the amount or other item (for example, a key ratio or amount).
- If quantitative, the relative size of the amount compared with accounts or items in the financial statements or the other information to which they relate.
- The sensitivity of the particular amount or other item in the other information, for example, share based payments for senior management.

A25. Evaluating the consistency of amounts or other items in the other information with the financial statements includes, when relevant given the nature of the other information, the manner of their presentation compared to the financial statements.

Considering Whether There Is a Material Inconsistency between the Other Information and the Auditor's Knowledge Obtained in the Audit (Ref: Para. 14(b))

A27. Other information may include amounts or items that are related to the auditor's knowledge obtained in the audit (other than those in paragraph 14(a)). Examples of such amounts or items may include:

- A disclosure of the units produced, or a table summarizing such production by geographical region.
- A statement that "The company introduced product X and product Y during the year."
- A summary of the locations of the entity's major operations, such as "the entity's major center of operation is in country X, and there are also operations in countries Y and Z."

Paragraph 14(b) requires the auditor to consider whether such amounts and items are materially inconsistent with the auditor's knowledge obtained in the audit.

A28. The auditor's knowledge obtained in the audit includes the auditor's understanding of the entity and its environment, including the entity's internal control, obtained in accordance with ISA 315 (Revised).¹¹ ISA 315 (Revised) sets out the auditor's required understanding, which includes such matters as obtaining an understanding of:

- (a) The relevant industry, regulatory, and other external factors;
- (b) The nature of the entity;
- (c) The entity's selection and application of accounting policies;
- (d) The entity's objectives and strategies;
- (e) The measurement and review of the entity's financial performance; and
- (f) The entity's internal control.

A29. The auditor's knowledge obtained in the audit may also include matters that are prospective in nature. Such matters may include, for example, business prospects and future cash flows that the auditor considered when evaluating the assumptions used by management in performing impairment tests on intangible assets such as goodwill, or when evaluating management's assessment of the entity's ability to continue as a going concern.

A29A. In considering whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit, the auditor may choose to focus attention on specific matters in the other information, taking into account such factors as:

- Whether the matter is within the scope of the auditor's knowledge obtained in the audit; and
- Whether the matter is of sufficient importance that it is possible that a misstatement of the other information in relation to that matter could be material.

A30. In many cases, recollection alone may be sufficient to enable the auditor to consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit. If referring to relevant audit documentation, or making inquiries of relevant members of the engagement team or relevant component auditors is necessary to support that recollection, the extent to which the auditor does so is a matter of professional judgment.

A31. The more senior and the more familiar with the key aspects of the audit the auditor is, the more likely it is that the auditor's recollection of relevant matters will be sufficient to consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit. For example, the auditor may be able to consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit in light of, for example, the auditor's recollection of discussions held with management or those

¹¹ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraphs 11–12

charged with governance or findings from procedures carried out during the audit, for example the reading of minutes, without the need to take further action.

A32. In other cases, the auditor may determine that referring to relevant audit documentation is necessary as a basis for the auditor's consideration of whether a material inconsistency exists. For example:

- When the other information describes the planned cessation of a product line and the auditor is uncertain as to whether of the description is materially inconsistent with the auditor's recollection of the details in the related audit documentation, then reference to the relevant audit documentation may be necessary.
- When the other information describes important details of a lawsuit addressed in the audit, but the auditor cannot recall them adequately, it may be necessary to refer to audit documentation to support the auditor's recollection.

However, when considering whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit, it is neither necessary nor practicable for the auditor to refer to relevant audit documentation, or to make inquiries of relevant members of the engagement team or relevant component auditors about all matters included in the other information.

Remaining Alert for Other Indications that the Other Information Appears to Be Materially Misstated (Ref: Para. 15A)

A33. Other information may include discussion of matters that are not related to the financial statements and may also extend beyond the auditor's knowledge obtained in the audit. For example, the other information may include statements about the entity's greenhouse gas emissions.

A33A. Remaining alert for other indications that the other information not related to the financial statements or the auditor's knowledge obtained in the audit appears to be materially misstated assists the auditor in complying with relevant ethical requirements that require the auditor to avoid being knowingly associated with other information that the auditor believes contains a materially false or misleading statement, a statement furnished recklessly, or omits or obscures necessary information such that the other information is misleading.¹² Remaining alert for other indications that the other information appears to be materially misstated could potentially result in the auditor identifying such matters as:

- Differences between the other information and the general knowledge, apart from the knowledge obtained in the audit, of the engagement team member reading the other information that lead the auditor to believe that the other information appears to be materially misstated; or
- An internal inconsistency in the other information that leads the auditor to believe that the other information may be materially misstated.

¹² International Ethics Standards Board for Accountants' (IESBA) *Code of Ethics for Professional Accountants*, paragraph 110.2

Responding When a Material Inconsistency Appears to Exist or Other Information Appears to Be Materially Misstated (Ref: Para. 16)

- A34. The auditor's discussion with management about a material inconsistency (or other information that appears to be materially misstated) may include requesting management to provide support for the basis of management's statements in the other information. Based on management's further information or explanations, the auditor may be satisfied that the other information is not materially misstated. For example, management explanations may indicate reasonable and sufficient grounds for valid differences of judgment.
- A35. Conversely, the discussion with management may provide further information that confirms that a material misstatement of the other information exists.
- A36. It may be more difficult for the auditor to challenge management on matters of judgment than on those of a more factual nature. However, there may be circumstances where the auditor determines that the other information contains a statement that is not consistent with the auditor's knowledge obtained in the audit. These circumstances may raise doubt about the other information, the financial statements, or the auditor's knowledge obtained in the audit.
- A37. As there is a wide range of possible material misstatements of the other information, the nature and extent of other procedures the auditor may perform to determine whether a material misstatement of the other information does exist are a matter of the auditor's professional judgment in the circumstances.
- A38. In certain circumstances, the auditor may not be able to assess management's responses to the auditor's inquiries and, accordingly, the validity of management's statements in the other information. In these circumstances, the auditor may consider other procedures such as consulting with a qualified third party (for example, an auditor's expert or legal counsel), or requesting management to do so. In extremely rare circumstances, the auditor may not be able to determine whether a material misstatement of the other information exists due to a limitation imposed by management or due to circumstances outside the control of the entity. In these circumstances, the auditor may need to consider the implications for the section of the auditor's report addressing other information including, for example, providing a description of the limitation or circumstance in the statement required by paragraph 21A(d).

Responding When the Auditor Determines That a Material Misstatement of Other Information Exists (Ref: Para. 18)

- A39. The actions the auditor takes if the other information is not corrected after communicating with those charged with governance are a matter of the auditor's professional judgment. The auditor may take into account whether the rationale given by management and those charged with governance for not making the correction raises doubt about the integrity or honesty of management or those charged with governance, such as when the auditor suspects an intention to mislead. The auditor may also consider it appropriate to seek legal advice. In some cases, the auditor may be required by law, regulation or other professional standards to communicate the matter to a regulator or relevant professional body.

Reporting Implications (Ref: Para. 18(a))

A40. In rare circumstances, a disclaimer of opinion on the financial statements may be appropriate when the refusal to correct the material misstatement of the other information casts such doubt on the integrity of management and those charged with governance as to call into question the reliability of audit evidence in general.

Withdrawal from the Engagement (Ref: Para. 18(b))

A41. Withdrawal from the engagement, where withdrawal is possible under applicable law or regulation, may be appropriate when the circumstances surrounding the refusal to correct the material misstatement of the other information cast such doubt on the integrity of management and those charged with governance as to call into question the reliability of representations obtained from them during the audit.

Considerations specific to public sector entities (Ref: Para. 18(b))

A42. In the public sector, withdrawal from the engagement may not be possible. In such cases, the auditor may issue a report to the legislature providing details of the matter or may take other appropriate actions.

Responding When Auditor Determines That a Material Misstatement Exists in Other Information Obtained after the Date of the Auditor's Report (Ref: Para. 19)

A43. If other information obtained after the date of the auditor's report is determined by the auditor to be materially misstated, and management agrees to revise it, the auditor's procedures necessary in the circumstances may include determining that the correction has been made and reviewing the steps taken by management to communicate with individuals in receipt of the other information, if previously issued, to inform those individuals of the revision.

A44. If management does not agree to revise the other information, taking appropriate action to seek to have the uncorrected misstatement appropriately brought to the attention of users for whom the auditor's report is prepared requires the exercise of professional judgment, and may be affected by relevant law or regulation in the jurisdiction. Accordingly, the auditor may consider it appropriate to seek legal advice about the auditor's legal rights and obligations.

A45. When a material misstatement of the other information remains uncorrected, appropriate actions that the auditor may take to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom the auditor's report is prepared, when permitted by law or regulation, include, for example:

- Providing a new or amended auditor's report to management including a modified section in accordance with paragraph 21A, and requesting management to provide this new or amended auditor's report to users for whom the auditor's report is prepared. The auditor may also review the steps taken by management to provide the new or amended auditor's report to such users;

- Bringing the material misstatement of the other information to the attention of the users for whom the auditor's report is prepared (for example, by addressing the matter in a general meeting of shareholders);
- Communicating with a regulator or relevant professional body about the uncorrected material misstatement; or
- Considering the implications for engagement continuance (see also paragraph A41).

Responding When a Material Misstatement in the Financial Statements Exists or the Auditor's Understanding of the Entity and Its Environment Needs to Be Updated (Ref: Para. 20)

A46. In reading the other information, the auditor may become aware of new information that has implications for:

- The auditor's understanding of the entity and its environment and, accordingly, may indicate the need to revise the auditor's risk assessment.¹³
- The auditor's responsibility to evaluate the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.¹⁴
- The auditor's responsibilities relating to subsequent events.¹⁵

Reporting

Illustrative Statements (Ref: Para. 21–22)

A47. Illustrative examples of the "Other Information" section of the auditor's report are included in Appendix 2.

[Note: All illustrative statements (ie those in paragraphs A48 and A49) have been relocated to Appendix 2]

Reporting Implications When the Auditor's Opinion on the Financial Statements Is Qualified or Adverse (Ref: Para. 22)

A50. A qualified or adverse auditor's opinion on the financial statements may not have an impact on the statement required by paragraph 21A(d) if the matter in respect of which the auditor's opinion has been modified is not included or otherwise addressed in the other information and the matter does not affect any part of the other information. For example, a qualified opinion on the financial statements because of non-disclosure of directors' remuneration as required by the applicable financial reporting framework may have no implications for the reporting required under this ISA. In other circumstances, there may be implications for such reporting as described in paragraphs A51–A54.

¹³ ISA 315 (Revised), paragraphs 11, 31, and A1

¹⁴ ISA 450, *Evaluation of Misstatements Identified During the Audit*

¹⁵ ISA 560, paragraphs 10 and 14

Qualified Opinion Due to a Material Misstatement in the Financial Statements

A51. In circumstances when the auditor's opinion is qualified, consideration may be given as to whether the other information is also materially misstated for the same matter as, or a related matter to, the matter giving rise to the qualified opinion on the financial statements.

Qualified Opinion Due to Limitation of Scope

A52. When there is a limitation of scope with respect to a material item in the financial statements, the auditor will not have obtained sufficient appropriate audit evidence about that matter. In these circumstances, the auditor may be unable to determine whether or not management's description of related matters in the other information contains a material misstatement. Accordingly, the auditor may need to modify the statement required by paragraph 21A (d) to refer to the auditor's inability to consider management's description of the matter in the other information in respect of which the auditor's opinion on the financial statements has been qualified as explained in the Basis for Qualified Opinion paragraph. The auditor is nevertheless required to address whether the auditor has identified material misstatements of the other information.

Adverse Opinion

A53. An adverse opinion on the financial statements relating to a specific matter(s) described in the Basis for Adverse Opinion paragraph does not justify the omission of reporting of material misstatements of the other information that the auditor has identified in the auditor's report in accordance with paragraph 21A(d)(ii). When an adverse opinion has been expressed on the financial statements, the auditor may need to appropriately modify the statement required by paragraph 21A(d) for example, to indicate that amounts or items in the other information may be materially misstated for the same matter as, or a related matter to, the matter giving rise to the adverse opinion on the financial statements.

Disclaimer of Opinion

A54. When the auditor disclaims an opinion on the financial statements, providing further details about the audit, including a section to address other information may overshadow the disclaimer of opinion on the financial statements as a whole. Accordingly, in those circumstances, as required by ISA 705 (Revised),¹⁶ the auditor's report does not include a section addressing the reporting requirements under this ISA.

Reporting Prescribed by Law or Regulation (Ref: Para. 23)

A55. ISA 200¹⁷ explains that the auditor may be required to comply with legal or regulatory requirements in addition to the ISAs. Where this is the case, the auditor may be obliged to use a specific layout or wording in the auditor's report that differs from that described in this ISA. Consistency in the

¹⁶ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

¹⁷ ISA 200, paragraph A55

auditor's report, when the audit has been conducted in accordance with ISAs, promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognized standards. When the differences between the legal or regulatory requirements to report with respect to the other information and this ISA relate only to the layout and wording in the auditor's report and, at a minimum, each of the elements identified in paragraph 23 is included in the auditor's report, the auditor's report may refer to International Standards on Auditing. Accordingly, in such circumstances the auditor is considered to have complied with the requirements of this ISA, even when the layout and wording used in the auditor's report are specified by legal or regulatory reporting requirements.

Examples of Amounts or Other Items that May be Included in the Other Information

The following are examples of amounts and other items that may be included in other information. This list is not intended to be exhaustive.

Amounts

- Items in a summary of key financial results, such as net income, earnings per share, dividends, sales and other operating revenues, and purchases and operating expenses.
- Selected operating data such as income from continuing operations by major operating area, or sales by geographical segment or product line.
- Special items such as asset dispositions, litigation provisions, asset impairments, tax adjustments, environmental remediation provisions, and restructuring and reorganization expenses.
- Liquidity and capital resource information, such as cash, cash equivalents and marketable securities; dividends; and debt, capital lease and minority interest obligations.
- Capital expenditures by segment or division.
- Amounts involved in, and related financial effects of, off-balance sheet arrangements.
- Amounts involved in guarantees, contractual obligations, legal or environmental claims, and other contingencies.
- Financial measures or ratios such as gross margin, return on average capital employed, return on average shareholders' equity, current ratio, interest coverage ratio and debt ratio. Some of these may be directly reconcilable to the financial statements.

Other Items

- Explanations of critical accounting estimates and related assumptions.
- Identification of related parties and descriptions of transactions with them.
- Articulation of the entity's policies or approach to manage commodity, foreign exchange or interest rate risks such as through the use of forward contracts, interest rate swaps, or other financial instruments.
- Descriptions of the nature of off-balance sheet arrangements.
- Descriptions of guarantees, indemnifications, contractual obligations, litigation or environmental liability cases, and other contingencies, including management's qualitative assessments of the entity's related exposures.

- Descriptions of changes in legal or regulatory requirements, such as new tax or environmental regulations, that have materially impacted the entity's operations or fiscal position, or will have a material impact on the entity's future financial prospects.
- Management's qualitative assessments of the impacts of new financial reporting standards that have come into effect during the period, or will come into effect in the following period, on the entity's financial results, financial position and cash flows.
- General descriptions of the business environment and outlook.
- Overview of strategy.
- Descriptions of trends in market prices of key commodities or raw materials.
- Contrasts of supply, demand and regulatory circumstances between geographic regions.
- Explanations of specific factors influencing the entity's profitability in specific segments.

Illustrations of the Section of the Auditor’s Reports Relating to Other Information

- Illustration 1: An auditor’s report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information by the date of the auditor’s report and has not identified a material misstatement of the other information.
- Illustration 2: An auditor’s report of a listed entity containing an unmodified opinion when the auditor has obtained part of the other information by 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 listed entity containing an unmodified opinion when the auditor has obtained part of the other information by 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 listed entity containing an unmodified opinion when the auditor has obtained no other information by 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, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information by the date of the auditor’s report and has determined that a material misstatement of the other information exists.
- Illustration 6: An auditor’s report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information by the date of the auditor’s report and there is a limitation of scope with respect to a material item in the financial statements which also affects the other information.
- Illustration 7: An auditor’s report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information by the date of the auditor’s report and there is an adverse opinion on the financial statements which also affects the other information.

[Note: The Illustrative Sections have been embedded in outlines of the Auditor's Reports, consistent with the approach taken for the Auditor Reporting project. The highlighted sections are

Illustration 1 – An auditor's report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information by the date of the auditor's report and has not identified a material misstatement of the other information.

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

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600¹⁸ does not apply).
- The financial statements are prepared by management of the entity in accordance with International Financial Reporting Standards (IFRSs) (a general purpose framework).
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).¹⁹
- Key audit matters have been communicated in accordance with ISA 701.²⁰
- The auditor has obtained all of the other information by the date of the auditor's report and has not identified a material misstatement of the other information
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

the illustrative sections relating to the other information.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements²¹

¹⁸ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

¹⁹ ISA 570 (Revised), *Going Concern*

²⁰ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

²¹ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

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

Other information comprises the [information included in the X report,²² but does not include the financial statements and our auditor’s report thereon.]

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether there are indications that the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we determine that there is a material

²² A more specific description of the other information, such as “the management report and chairman’s statement,” may be used to identify the other information.

misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements²³

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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].

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

[Auditor Address]

[Date]

²³ 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 of a listed entity containing an unmodified opinion when the auditor has obtained part of the other information by 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 listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA 570 (Revised).
- Key audit matters have been communicated in accordance with ISA 701.
- The auditor has obtained part of the other information by 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
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements²⁴

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

²⁴ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

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

Basis for Opinion

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

Key Audit Matters

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

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

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

The other information comprises the X report²⁵ (but does not include the financial statements and our auditor’s report thereon), which we obtained prior to the date of this auditor’s report, and the Y report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether there are indications that the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we determine that there is a material misstatement of the other information that we obtained prior to the date of this auditor’s report, we are required to report that fact. We have nothing to report in this regard.

²⁵ A more specific description of the other information, such as “the management report and chair’s statement,” may be used to identify the other information.

[When we read the Y report, if we determine that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action, considering our legal rights and obligations.]²⁶

Responsibilities of Management and Those Charged with Governance for the Financial Statements²⁷

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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].

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

[Auditor Address]

[Date]

²⁶ This additional paragraph may be useful when the auditor has a clear legal obligation to take a specific action in response to an uncorrected material misstatement in other information obtained after the date of the auditor’s report.

²⁷ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Illustration 3 – An auditor’s report of an entity other than a listed entity containing an unmodified opinion when the auditor has obtained part of the other information by 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 listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA 570 (Revised).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.
- The auditor has obtained part of the other information by 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.
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- The auditor has no other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

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

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

The other information obtained at the date of this auditor's report is [information included in the X report,²⁸ but does not include the financial statements and our auditor's report thereon.]

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether there are indications that the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained at the date of this auditor's report, we determine that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

[Auditor Address]

[Date]

²⁸ A more specific description of the other information, such as "the management report and chair's statement," may be used to identify the other information.

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

Illustration 4 – An auditor’s report of a listed entity containing an unmodified opinion when the auditor has obtained no other information by 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 listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA 570 (Revised).
- Key audit matters have been communicated in accordance with ISA 701.
- The auditor has obtained no other information by the date of the auditor’s report but expects to obtain other information after the date of the auditor’s report.
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements³⁰

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or *give a true and*

³⁰ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

fair view of) the financial position of the Company as at December 31, 20X1, and *(of*) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

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

The other information comprises the [information included in the X report,³¹ but does not include the financial statements and our auditor’s report thereon.]

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether there are indications that the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

[When we read the X report, if we determine that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action, considering our legal rights and obligations.]³²

³¹ A more specific description of the other information, such as “the management report and chair’s statement,” may be used to identify the other information.

³² This additional paragraph may be useful when the auditor has a clear legal obligation to take a specific action in response to an uncorrected material misstatement in other information obtained after the date of the auditor’s report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements³³

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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]*.

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

[Auditor Address]

[Date]

³³ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Illustration 5 – An auditor’s report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information by the date of the auditor’s report and has determined 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 an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA 570 (Revised).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.
- An auditor’s report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information by the date of the auditor’s report and has determined that a material misstatement of the other information exists
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- The auditor has no other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

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

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

Other information comprises the [information included in the X report,³⁴ but does not include the financial statements and our auditor's report thereon.]

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether there are indications that the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we determine that there is a material misstatement of this other information, we are required to report that fact. As described below, we have determined that such a circumstance exists.

[Description of material misstatement of the other information]

Responsibilities of Management and Those Charged with Governance for the Financial Statements³⁵

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

[Auditor Address]

[Date]

³⁴ A more specific description of the other information, such as "the management report and chairman's statement," may be used to identify the other information.

³⁵ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Illustration 6 – An auditor’s report of any entity, whether listed or other than listed, containing an qualified opinion when the auditor has obtained all of the other information by the date of the auditor’s report and there is a limitation of scope with respect to a material item in the 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 financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.
- The auditor was unable to obtain sufficient appropriate audit evidence regarding an investment in a foreign associate. The possible effects of the inability to obtain sufficient appropriate audit evidence are deemed to be material but not pervasive to the consolidated financial statements (i.e., a qualified opinion is appropriate).
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA 570 (Revised).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.
- The auditor has obtained all of the other information by the date of the auditor’s report and there is a limitation of scope with respect to a material item in the financial statements which also affects the other information.
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- The auditor has no other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

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

Qualified Opinion

We have audited the consolidated financial statements of ABC Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 20X1, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material

respects, (or *give a true and fair view of*) the financial position of the Group as at December 31, 20X1, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The Group's investment in XYZ Company, a foreign associate acquired during the year and accounted for by the equity method, is carried at xxx on the consolidated statement of financial position as at December 31, 20X1, and ABC's share of XYZ's net income of xxx is included in ABC's income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC's investment in XYZ as at December 31, 20X1 and ABC's share of XYZ's net income for the year because we were denied access to the financial information, management, and the auditors of XYZ. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

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

Other information comprises the [information included in the X report,³⁶ but does not include the financial statements and our auditor's report thereon.]

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether there are indications that the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we determine that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence about [Description of subject of scope limitation]. Accordingly, we are unable to consider whether management's description of this matter in the other information is materially misstated. We have nothing to report regarding the remainder of the other information.

³⁶ A more specific description of the other information, such as "the management report and chairman's statement," may be used to identify the other information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements³⁷

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

[Auditor Address]

[Date]

³⁷ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Illustration 7 – An auditor’s report of any entity, whether listed or other than listed, containing an adverse opinion when the auditor has obtained all of the other information by the date of the auditor’s report and there is an adverse opinion on the 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 financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.
- The consolidated financial statements are materially misstated due to the non-consolidation of a subsidiary. The material misstatement is deemed to be pervasive to the consolidated financial statements. The effects of the misstatement on the consolidated financial statements have not been determined because it was not practicable to do so (i.e., an adverse opinion is appropriate).
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA 570 (Revised).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.
- The auditor has obtained all of the other information by the date of the auditor’s report and there is an adverse opinion on the financial statements which also affects the other information.
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- The auditor has no other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

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

Adverse Opinion

We have audited the consolidated financial statements of ABC Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 20X1, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* section of our report, the accompanying consolidated financial statements do not present fairly (or *do not*

give a true and fair view of) the consolidated financial position of the Group as at December 31, 20X1, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

As explained in Note X, the Group has not consolidated subsidiary XYZ Company that the Group acquired during 20X1 because it has not yet been able to determine the fair values of certain of the subsidiary's material assets and liabilities at the acquisition date. This investment is therefore accounted for on a cost basis. Under IFRSs, the Company should have consolidated this subsidiary and accounted for the acquisition based on provisional amounts. Had XYZ Company been consolidated, many elements in the accompanying consolidated financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined.

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

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

Other information comprises the [information included in the X report,³⁸ but does not include the financial statements and our auditor's report thereon.]

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether there are indications that the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we determine that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Adverse Opinion* section above, [describe basis of adverse opinion]. The X report, while consistent with the financial statements, is materially misstated for the same reason.

Responsibilities of Management and Those Charged with Governance for the Financial Statements³⁹

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

³⁸ A more specific description of the other information, such as "the management report and chairman's statement," may be used to identify the other information.

³⁹ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

[Auditor Address]

[Date]