



Agenda Item 6A

**MATRIX OF INTERNATIONAL STANDARD ON AUDITING 700 (REVISED)
FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS; ISA 700 (REVISED) MARKED TO
PROPOSED AU-C 700 WORDING; EXTANT AU-C 700 FORMING AN OPINION AND REPORTING ON
FINANCIAL STATEMENTS MARKED TO PROPOSED WORDING
(REQUIRED REPORT ELEMENTS ONLY)**

ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
Auditor's Report	Auditor's Report	Auditor's Report	
20. The auditor's report shall be in writing. (Ref: Para. A18–A19)	23. 20 –The auditor's report should shall be in writing <u>and should contain the elements in paragraphs xx.xx, as applicable.</u> (Ref: Para. A18–A19)	.23 2 The auditor's report should be in writing <u>and should contain the elements in paragraphs xx.xx, as applicable.</u> (Ref: par. A16–A17)	ASB supported ISA wording (5/2016) Included reference to elements that should be included in the report because the ASB agreed that all elements should be in the report and not on a

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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
			website or in appendix as permitted by ISA 700.
<i>Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing</i>	<i>Auditor's Report for Audits Conducted in Accordance with GAASInternational Standards on Auditing</i>	Auditor's Report for Audits Conducted in Accordance With GAAS	
Title	Title	Title	
21. The auditor's report shall have a title that clearly indicates that it is the report of an independent auditor. (Ref: Para. A20)	24. 21. The auditor's report should <u>shall</u> have a title that clearly indicates that it is the report of an independent auditor. (Ref: Para. A20)	.24 3 The auditor's report should have a title that includes the word independent to clearly indicates that it is the report of an independent auditor. (Ref: par. A18)	The task force agreed the proposed SAS should use the wording from ISA 700 (Revised) and not include the words "that includes the word <i>independent</i> " from AU-C 700. The task force believes that the new requirement in paragraph 28 of ISA 700 (Revised), when included in the proposed SAS, will provide readers with sufficient information about the independence of the auditor and there is no need to also require the word in the title. (4/7/16)

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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
			The ASB agreed with the task force (5/2016)
Addressee	Addressee	<i>Addressee</i>	
22. The auditor's report shall be addressed, as appropriate, based on the circumstances of the engagement. (Ref: Para. A21)	25. 22. The auditor's report should shall be addressed, as appropriate, based on the circumstances of the engagement. (Ref: Para. A21)	.25 4 The auditor's report should be addressed, as appropriate, required <u>based on</u> the circumstances of the engagement. (Ref: par. A19)	The task force agreed to use the ISA 700 (Revised) wording in the proposed SAS. (4/7/16) ASB supported ISA 700 (Revised) wording (5/2016)
Auditor's Opinion	Auditor's Opinion	<i>Auditor's Opinion</i>	
23. The first section of the auditor's report shall include the auditor's opinion, and shall have the heading "Opinion."	26. 23. The first section of the auditor's report should shall include the auditor's opinion, and shall have the heading "Opinion."	.26-34 The <u>first section of the</u> auditor's report should include <u>the auditor's opinion and should have a section with</u> the heading "Opinion."	New Placement of opinion first. The task force supports convergence with ISA 700 (Revised) to require the opinion section to be placed first.
24. The Opinion section of the auditor's report shall also:	27. 24. The Opinion section of the auditor's report should shall also:	Introductory Paragraph .27-25 The <u>opinion section of introductory paragraph in</u> the auditor's report should also: (Ref: par. A20 -A23)	New placement of content in the opinion paragraph

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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
(a) Identify the entity whose financial statements have been audited;	(a) Identify the entity whose financial statements have been audited;	a. identify the entity whose financial statements have been audited ;	ASB supported task force's proposed wording for AU-C 700, pars. 27-29. (May 2016 ASB Meeting)
(b) State that the financial statements have been audited;	(b) State that the financial statements have been audited;	b. state that the financial statements have been audited ;	
(c) Identify the title of each statement comprising the financial statements;	(c) Identify the title of each statement comprising the financial statements;	c. identify the title of each statement <u>comprising that</u> the financial statements ; comprise, and	ASB supported using ISA convention of "comprise" (5/2016)
(d) Refer to the notes, including the summary of significant accounting policies; and	(d) Refer to the notes, including the summary of significant accounting policies; and	<u>d. Refer to the notes; and</u>	Task force agreed to include reference to the notes. Task force did not include summary of significant account policies because in the U.S. that is included in the notes to the financial statements. (4/7/16)
(e) Specify the date of, or period covered by, each financial statement comprising the financial statements. (Ref: Para. A22–A23)	(e) Specify the date of, or period covered by, each financial statement comprising the financial statements. (Ref: Para. A22–A23)	<u>ed.</u> specify the date <u>of</u> or period covered by ; each financial statement <u>comprising that</u> the financial statements ; comprise.	

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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
25. When expressing an unmodified opinion on financial statements prepared in accordance with a fair presentation framework, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases, which are regarded as being equivalent:	28. 25. —When expressing an unmodified opinion on financial statements prepared in accordance with a fair presentation framework , the auditor's opinion <u>should state that shall, unless otherwise required by law or regulation, use one of the following phrases, which are regarded as being equivalent:</u>	35-28 When expressing an unmodified opinion on financial statements, the auditor's opinion should state that	Task force agreed to the difference from ISA 700 (Revised) because there are only fair presentation frameworks in the U.S. therefore there is no need to make a distinction in the proposed SAS. (4/7/16)
(a) In our opinion, the accompanying financial statements present fairly, in all material respects, [...] in accordance with [the applicable financial reporting framework]; or	(a) in our opinion, the accompanying financial statements present fairly, in all material respects, <u>the financial position of the entity as of the balance sheet date and the results of its operations and its cash flows for the period then ended, [...]</u> in accordance with [the applicable financial reporting framework]; or	<u>in our opinion, the accompanying</u> financial statements present fairly, in all material respects, the financial position of the entity as of the balance sheet date and the results of its operations and its cash flows for the period then ended, in accordance with the applicable financial reporting framework. (Ref: par. A9 and A29-A30)	Task force agree to these changes to ISA 700 (Revised) to better reflect U.S. reporting. (4/7/16)
(b) In our opinion, the accompanying financial statements give a true and fair view of [...] in accordance with [the applicable financial reporting framework]. (Ref: Para. A24-A31)	(b) In our opinion, the accompanying financial statements give a true and fair view of [...] in accordance with [the applicable financial reporting framework]. (Ref: Para. A24-A31)		We use present fairly in the U.S. and do not allow for a true and fair view opinion
26. When expressing an unmodified opinion on financial statements prepared in accordance with a compliance framework,	26. When expressing an unmodified opinion on financial statements prepared in accordance with a compliance framework,		In the U.S. only fair presentation frameworks

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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
the auditor's opinion shall be that the accompanying financial statements are prepared, in all material respects, in accordance with [the applicable financial reporting framework]. (Ref: Para. A26–A31)	the auditor's opinion shall be that the accompanying financial statements are prepared, in all material respects, in accordance with [the applicable financial reporting framework]. (Ref: Para. A26–A31)		are considered general purpose frameworks. ISA paragraph not included.
27. If the reference to the applicable financial reporting framework in the auditor's opinion is not to IFRSs issued by the International Accounting Standards Board or IPSASs issued by the International Public Sector Accounting Standards Board, the auditor's opinion shall identify the jurisdiction of origin of the framework.	29. 27. If the reference to the applicable financial reporting framework in the auditor's opinion is not to IFRSs issued by the International Accounting Standards Board or IPSASs issued by the International Public Sector Accounting Standards Board, the auditor's opinion should shall identify the applicable financial reporting framework and its jurisdiction of origin of the framework.	36 <u>29</u> The auditor's opinion should identify the applicable financial reporting framework and its origin. (Ref: par. A31)	Changes from ISA 700 (Revised) to make the proposed SAS framework neutral.
Basis for Opinion	Basis for Opinion	<u>Basis for Opinion</u>	
28. The auditor's report shall include a section, directly following the Opinion section, with the heading "Basis for Opinion", that: (Ref: Para. A32)	30. 28.—The auditor's report should shall include a section, directly following the Opinion section, with the heading "Basis for Opinion", that: (Ref: Para. A32)	<u>.30 The auditor's report should include a section, directly following the Opinion section, with the heading "Basis for Opinion", that:</u>	TF agreed to include a requirement for a Basis for Opinion paragraph in an unmodified opinion. TF agreed this would be placed directly following the opinion section when the opinion

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			<p>section is required to be placed first.</p> <p>ASB supported proposed wording (5/2016)</p>
<p>(a) States that the audit was conducted in accordance with International Standards on Auditing; (Ref: Para. A33)</p>	<p>(a) States that the audit was conducted in accordance with <u>generally accepted auditing standards and should identify the United States of America as the country of origin of those standards.</u> International Standards on Auditing; (Ref: Para. A33)</p>	<p>.31 The auditor's report should (a) states that the audit was conducted in accordance with generally accepted auditing standards and should identify the United States of America as the country of origin of those standards. The auditor's report should also explain that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. (Ref: par. A27-A28)</p>	<p>Task force agrees with these changes to ISA 700 (Revised) to tailor to the U.S. environment</p>
<p>(b) Refers to the section of the auditor's report that describes the auditor's responsibilities under the ISAs;</p>	<p>(b) Refers to the section of the auditor's report that describes the auditor's responsibilities under GAASthe ISAs;</p>	<p><u>(b) Refers to the section of the auditor's report that describes the auditor's responsibilities under GAAS;</u></p>	<p>New ISA 700 words</p> <p>Task force agreed to add this to the proposed SAS to converge with ISA 700 (Revised)</p>
<p>(c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical</p>	<p>(c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical</p>	<p><u>(c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements</u></p>	<p>New ISA 700 words – independence and ethical requirements</p>

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<p style="text-align: center;">ISA 700 (Revised) (clean)</p>	<p style="text-align: center;">ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)</p>	<p style="text-align: center;">Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)</p>	<p style="text-align: center;">Comments</p>
<p>requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code); and (Ref: Para. A34–A39)</p>	<p>requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shouldshall identify the jurisdiction of origin of the relevant ethical requirements or refer to the AICPA Code of Professional Conduct and refer to other relevant ethical requirements. International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code); and (Ref: Para. A34–A39) <u>the jurisdiction of origin of the relevant ethical requirements or refer to the AICPA Code of Professional Conduct and refer to other relevant ethical requirements. International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code); and (Ref: Para. A34–A39)</u></p>	<p><u>relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement should identify the AICPA Code of Professional Conduct and refer to other relevant ethical requirements; and</u></p>	<p>Task force believes there will need to be application material to explain relevant ethical requirements, yellow book, state, SEC, DOL (4/7/16)</p> <p>ASB asked the task force to include application guidance to explain the different independence rules in the US that may need to be complied with. To be considered when TF develops application material. (5/2016).</p>
<p>(d) States whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.</p>	<p>(d) States whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.</p>	<p>(d) -33-States The auditor's report should state whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.</p>	<p>Task force agrees with this content</p>

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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
Going Concern	Going Concern	Going Concern	
29. Where applicable, the auditor shall report in accordance with ISA 570 (Revised). ¹	31. 29. —When re applicable, the auditor should shall report in accordance with AU-C section ISA-570 (Revised). ²	31. When applicable, the auditor should report in accordance with AU-C section 570 (Revised).	New ISA 700 wording – Going concern
Key Audit Matters	Key Audit Matters	Key Audit Matters	The task force supports convergence with ISA 701
30. For audits of complete sets of general purpose financial statements of listed entities, the auditor shall communicate key audit matters in the auditor’s report in accordance with ISA 701.	30. For audits of complete sets of general purpose financial statements of listed entities, the auditor shouldshall communicate key audit matters in the auditor’s report in accordance with ISA 701.		New ISA 700 wording – key audit matters Removed paragraph because it only applies to listed entities.
31. When the auditor is otherwise required by law or regulation or decides to communicate key audit matters in the auditor’s report, the auditor shall do so in accordance with ISA 701. (Ref: Para. A40–A42)	32. 31. —When the auditor is required or is otherwise required by law or regulation or decides to communicate key audit matters in the auditor’s report, the auditor should shall do so in accordance with AU-C section ISA-701 . (Ref: Para. A40–A42)	32. When the auditor is required or decides to communicate key audit matters in the auditor’s report, the auditor should do so in accordance with AU-C section 701.	Task force supports developing a new standard to address KAM. The task force will add application material to address who might require the auditor to include KAM (insurance commission, state regulators, banks, industry

¹ ISA 570 (Revised), *Going Concern*, paragraphs 21–23

² ~~ISA 570 (Revised), *Going Concern*, paragraphs 21–23~~

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			regulator, terms of the engagement).
Other Information	Other Information	<u>Other Information</u>	
32. Where applicable, the auditor shall report in accordance with ISA 720 (Revised)	33. 32. —When re applicable, the auditor should <u>shall</u> report in accordance with <u>AU-C ISA-720</u> (Revised)	<u>33. When applicable, the auditor should report in accordance with AU-C 720 (Revised)</u>	New ISA 700 wording – other information
Responsibilities for the Financial Statements	Responsibilities for the Financial Statements	<u>Management's Responsibilities</u> for the Financial Statements	ISA 700 – changed title TF agreed to title change
33. The auditor's report shall include a section with a heading "Responsibilities of Management for the Financial Statements." The auditor's report shall use the term that is appropriate in the context of the legal framework in the particular jurisdiction and need not refer specifically to "management". In some jurisdictions, the appropriate reference may be to those charged with governance. (Ref: Para. A44)	34. 33. The auditor's report should <u>shall</u> include a section with a heading "Responsibilities of Management for the Financial Statements." The auditor's report shall use the term that is appropriate in the context of the legal framework in the particular jurisdiction and need not refer specifically to "management". In some jurisdictions, the appropriate reference may be to those charged with governance. (Ref: Para. A44)	26. <u>34.</u> The auditor's report should include a section with the heading " <u>Responsibilities of Management's Responsibility</u> for the Financial Statements."	New ISA 700 wording AU-C 700 did not include the second sentence in par 33 of ISA 700 because the board believed that this is talking about jurisdictions where the structure of the boards and corporate law are different than in the U.S. and therefore, it is sufficient to just discuss management's responsibilities for the

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			preparation and presentation of the f/s. TF agree with these edits
34. This section of the auditor's report shall describe management's responsibility for: (Ref: Para. A45–A48)	35. 34. This section of the auditor's report should <u>shall</u> describe management's responsibility for: (Ref: Para. A45–A48)	.27. <u>35</u> This section of the The auditor's report should describe management's responsibility for	ASB supported task force proposed wording.
(a) Preparing the financial statements in accordance with the applicable financial reporting framework, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and	(a) <u>The preparation and fair presentation</u> Preparing of the financial statements, in accordance with the applicable financial reporting framework; <u>this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;</u> and	<u>(a)</u> the preparation and fair presentation of the financial statements. The description should include an explanation that management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; <u>and</u> . (Ref: par. A24)	Extant AU-C 700 used different wording from ISA 700 to better convey management's responsibilities. TF continues to agree with this wording and is proposing to use extant AU-C 700 wording. These words are consistent with paragraph .A2 of AU-C section 200.

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<p>(b) Assessing the entity's ability to continue as a going concern³ and whether the use of the going concern basis of accounting is appropriate as well as disclosing, if applicable, matters relating to going concern. The explanation of management's responsibility for this assessment shall include a description of when the use of the going concern basis of accounting is appropriate. (Ref: Para. A48)</p>	<p>(b) Assessing the entity's ability to continue as a going concern <u>in accordance with the applicable financial reporting framework and whether the use of the going concern basis of accounting is appropriate as well as disclosing, if applicable, matters relating to going concern. The explanation of management's responsibility for this assessment shall should include a description of when the use of the going concern basis of accounting is appropriate.</u> (Ref: Para. A48)</p>	<p><u>(b) Assessing the entity's ability to continue as a going concern in accordance with the applicable financial reporting framework.</u></p>	<p>New ISA 700 wording – going concern</p> <p>Task force agreed the requirement should be framework neutral. Application material can provide IFRS and GAAP (and maybe GASB) wording examples.</p> <p>ASB asked the TF to consider GC wording because globally the wording did not pick up the basis of accounting as framework neutral. (5/2016)</p>
<p>35. This section of the auditor's report shall also identify those responsible for the oversight of the financial reporting process, when those responsible for such oversight are different from those who fulfill the responsibilities described in paragraph 34 above. In this case, the heading of this section shall also refer to "Those Charged with</p>	<p>36. 35. This section of the auditor's report <u>should shall</u> also identify those responsible for the oversight of the financial reporting process, when those responsible for such oversight are different from those who fulfill the responsibilities described in paragraph 34 above. In this case, the heading of this section <u>should shall</u> also refer to "Those Charged with</p>	<p><u>36. This section of the auditor's report should also identify those responsible for the oversight of the financial reporting process, when those responsible for such oversight are different from those who fulfill the responsibilities described in paragraph 34 above. In this case, the heading of this section</u></p>	<p>New ISA 700 wording – oversight of financial reporting process</p> <p>AU-C 260 requires the auditor to determine the appropriate person(s) within the governance structure with</p>

³ ISA 570 (Revised), paragraph 2

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<p>Governance” or such term that is appropriate in the context of the legal framework in the particular jurisdiction. (Ref: Para. A49)</p>	<p>Governance” or <u>other appropriate term. such term that is appropriate in the context of the legal framework in the particular jurisdiction.</u> (Ref: Para. A49)</p>	<p><u>should also refer to “Those Charged with Governance” or other appropriate term.</u></p>	<p>whom to communicate. This includes those responsible for overseeing the financial reporting process. ASB recommended the task force include in application material that ties to AU-C 260 and those charged with governance. (5/2016). The task force discussed including audit committees in the application material as an example of an “other appropriate term.”</p>
<p>36. When the financial statements are prepared in accordance with a fair presentation framework, the description of responsibilities for the financial statements in the auditor’s report shall refer to “the preparation and fair presentation of these financial statements” or “the preparation of financial statements that give a true and fair view,” as appropriate in the circumstances.</p>	<p>36. When the financial statements are prepared in accordance with a fair presentation framework, the description of responsibilities for the financial statements in the auditor’s report shall refer to “the preparation and fair presentation of these financial statements” or “the preparation of financial statements that give a true and fair view,” as appropriate in the circumstances.</p>	<p>.27 The auditor’s report should describe management’s responsibility for the preparation and fair presentation of the financial statements....</p>	<p>Par 36 of ISA 700 was not included in extant AU-C 700 because there is no corresponding reference to “true and fair view” in the standard with respect to the wording of the opinion.</p>
	<p>37. <u>The description about management’s responsibility for the financial statements in the auditor’s report should not be</u></p>	<p>.28 <u>.37</u> The description about management’s responsibility for the financial statements in the auditor’s report</p>	<p>Included in extant AU-C 700 from Interpretation – AU 9508.52</p>

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	referenced to a separate statement by management about such responsibilities even if such a statement is included in a document containing the auditor's report.	should not be referenced to a separate statement by management about such responsibilities <u>even</u> if such a statement is included in a document containing the auditor's report. (Ref: par. A25)	TF believes this paragraph is appropriate to continue to include.
Auditor's Responsibilities for the Audit of the Financial Statements	Auditor's Responsibilities for the Audit of the Financial Statements	<i>Auditor's Responsibilities for the Audit of the Financial Statements</i>	ISA 700 – changed title
37. The auditor's report shall include a section with the heading "Auditor's Responsibilities for the Audit of the Financial Statements."	38. 37. —The auditor's report should <u>shall</u> include a section with the heading "Auditor's Responsibilities for the Audit of the Financial Statements."	.29-.38 The auditor's report should include a section with the heading "Auditor's Responsibilities <u>for the Audit of the Financial Statements.</u> "	Changed title
38. This section of the auditor's report shall: (Ref: Para. A50)	39. 38. —This section of the auditor's report should <u>shall</u> : (Ref: Para. A50)	.39 <u>This section of the auditor's report should:</u>	
(a) State that the objectives of the auditor are to:	(a) State that the objectives of the auditor are to:	(a) <u>State that the objectives of the auditor are to:</u>	
(i) Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and	(i) Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and	.31(i). <u>The auditor's report should state that the audit was conducted in accordance with generally accepted auditing standards and should identify the United States of America as the country of origin of those standards. The auditor's report should also explain that</u>	

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<p style="text-align: center;">ISA 700 (Revised) (clean)</p>	<p style="text-align: center;">ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)</p>	<p style="text-align: center;">Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)</p>	<p style="text-align: center;">Comments</p>
		<p>those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error; and (Ref: par. A27–A28)</p>	
<p>(ii) Issue an auditor’s report that includes the auditor’s opinion. (Ref: Para. A51)</p>	<p>(ii) Issue an auditor’s report that includes the auditor’s opinion. (Ref: Para. A51)</p>	<p>30-(ii) Issue an The auditor’s report should state that includes the auditor’s opinion. the responsibility of the auditor is to express an opinion on the financial statements based on the audit. (Ref: par. A26)</p>	<p>PCAOB includes this in the basis for opinion paragraph</p>
<p>(b) State that reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists; and</p>	<p>(b) State that reasonable assurance is a high level of assurance, but is not <u>absolute assurance and therefore is not</u> a guarantee that an audit conducted in accordance with <u>GAAS</u> will always detect a material misstatement when it exists; and</p>	<p><u>(b) State that reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS</u> will always detect a material misstatement when it exists; and</p>	<p>ISA 700 – new wording At the May 2016 ASB meeting the task force discussed other options for describing reasonable assurance. The ASB asked the task force to continue working on this. After further discussion, the task force supported converging as closely as possible to ISA 700 (revised)</p>

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			and is recommending the changes noted. The task force intends to provide further background information in the application material
(c) State that misstatements can arise from fraud or error, and either:	(c) State that misstatements can arise from fraud or error, and either:	(c) <u>State that misstatements can arise from fraud or error, and either:</u>	
(i) Describe that they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements; or ⁴	(i) Describe that they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements; or ⁵	<u>(i) Describe that they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements; or⁶</u>	The task force supports convergence with ISA 700 Revised wording is consistent with AU-C 320.02.
(ii) Provide a definition or description of materiality in accordance with the applicable financial reporting framework. (Ref: Para. A52)	(ii) Provide a definition or description of materiality in accordance with the applicable	<u>(ii) Provide a definition or description of materiality in accordance with the applicable financial reporting framework.</u>	Task force to include application material.

⁴ ISA 320, *Materiality in Planning and Performing an Audit*, paragraph 2

⁵ ~~AU-C ISA~~ 320, *Materiality in Planning and Performing an Audit*, paragraph 2

⁶ AU-C 320, *Materiality in Planning and Performing an Audit*, paragraph 2

Auditor Reporting Matrix
ASB Meeting, August 1-4, 2016

ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
	financial reporting framework. (Ref: Para. A52)		
39. The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report shall further: (Ref: Para. A50)	40. 39. The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report should shall further: (Ref: Para. A50)	.40 The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report should further:	
(a) State that, as part of an audit in accordance with ISAs, the auditor exercises professional judgment and maintains professional skepticism throughout the audit; and	(a) State that, as part of an audit in accordance with GAASISAs , the auditor exercises professional judgment and maintains professional skepticism throughout the audit; and	(a) State that, as part of an audit in accordance with GAAS, the auditor exercises professional judgment and maintains professional skepticism throughout the audit; and	Task force supports convergence.
(b) Describe an audit by stating that the auditor's responsibilities are:	(b) Describe an audit by stating that the auditor's responsibilities are:	.32—(b) The auditor's report should Describe an audit by stating that the auditor's responsibilities are: a. an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.	
(i) To identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures	(i) To identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures	(i) To identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain	Task force supports convergence. Task force also supports inclusion of last sentence because it is based on AU-C 240.06;

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<p style="text-align: center;">ISA 700 (Revised) (clean)</p>	<p style="text-align: center;">ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)</p>	<p style="text-align: center;">Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)</p>	<p style="text-align: center;">Comments</p>
<p>responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.</p>	<p>responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.</p>	<p>audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.</p>	<p>However, at the May 2016 meeting, an ASB member expressed concerns with this sentence and asked that we consider wording that speaks to the increased difficulty of detecting material fraud rather than an "increased risk" of not detecting material fraud. Because the wording is consistent with AU-C 240, the task force has retained the wording but believes that further application material is necessary.</p>
<p>(ii) To obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In circumstances when the auditor also has a responsibility to</p>	<p>(ii) To obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, no such opinion is expressed. In circumstances</p>	<p>32 b.(ii) To obtain an understanding of internal control relevant to the audit in order to design the audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's</p>	

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<p style="text-align: center;">ISA 700 (Revised) (clean)</p>	<p style="text-align: center;">ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)</p>	<p style="text-align: center;">Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)</p>	<p style="text-align: center;">Comments</p>
<p>express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.</p>	<p>when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor should<u>shall</u> omit the <u>following phrase that the</u> "the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. <u>Accordingly, no such opinion is expressed.</u>"</p>	<p>preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. and a Accordingly, no such opinion is expressed.</p> <p>In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor should omit the <u>following phrase required in paragraph .32b that</u> "the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of <u>the entity's</u> internal control. and a Accordingly, no such opinion is expressed. (.32)</p>	
<p>(iii) To evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related</p>	<p>(iii) To evaluate the appropriateness of accounting policies used and the reasonableness of <u>significant</u> accounting estimates</p>	<p>.32 c. (iii) To an audit also includes evaluate <u>ing</u> the appropriateness of <u>the</u> accounting policies used and the reasonableness of significant</p>	<p>Task force supports continuing to use extant AU-C 700 placement and keep</p>

Auditor Reporting Matrix
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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
disclosures made by management.	and related disclosures made by management, <u>as well as the overall presentation of the financial statements.</u>	accounting estimates made by management, as well as the overall presentation of the financial statements.	these words here rather than in 40(b)(v) below.
(iv) To conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report.	(iv) To conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether <u>there are conditions and events, considered in the aggregate, that raise substantial a material uncertainty exists related to events or conditions that may cast significant doubt about on</u> the entity's ability to continue as a going concern <u>for a reasonable period of time.</u> If the auditor concludes that <u>substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time exists, a material uncertainty exists,</u> the auditor is required to draw attention in the	<u>(iv) To conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. If the auditor concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.</u>	New to ISA 700 – going concern At the May 2016 ASB meeting, the ASB asked the task force to consider whether this is consistent with US framework. The task force acknowledged that 40(b)(iv) is quite lengthy, and discussed the possibility of shortening by including only the first sentence. However, the consensus of the task force is that if the objective is convergence, the wording should be included in its entirety.

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<p style="text-align: center;">ISA 700 (Revised) (clean)</p>	<p style="text-align: center;">ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)</p>	<p style="text-align: center;">Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)</p>	<p style="text-align: center;">Comments</p>
<p>However, future events or conditions may cause an entity to cease to continue as a going concern.</p>	<p>auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor’s conclusions are based on the audit evidence obtained up to the date of the auditor’s report. However, future events or conditions may cause an entity to cease to continue as a going concern.</p>		
<p>(v) When the financial statements are prepared in accordance with a fair presentation framework, to evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.</p>	<p>v. When the financial statements are prepared in accordance with a fair presentation framework, to evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.</p>	<p>.32 c. the financial statements.</p>	<p>Task force believes the reference to evaluating the overall financial statement presentation in 40(b)(iii) is sufficient (consistent with extant AU-C 700). Further, this wording could be misunderstood to suggest that the “stand back” involves more than is done in practice currently and therefore could increase the expectation gap.</p>

Auditor Reporting Matrix
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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
(c) When ISA 600 ⁷ applies, further describe the auditor’s responsibilities in a group audit engagement by stating that:	(c) When <u>AU-C ISA—600⁸</u> applies, further describe the auditor’s responsibilities in a group audit engagement by stating that:	<u>(c) When AU-C 600 applies, further describe the auditor’s responsibilities in a group audit engagement by stating that:</u>	New to ISA 700—ISA 600 content.
(i) The auditor’s responsibilities are to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group financial statements;	(i) The auditor’s responsibilities are to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group financial statements;	<u>(i) The auditor’s responsibilities are to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group financial statements;</u>	
(ii) The auditor is responsible for the direction, supervision and performance of the group audit; and	(ii) The auditor is responsible for the direction, supervision and performance of the group audit; and	<u>(ii) The auditor is responsible for the direction, supervision and performance of the group audit; and</u>	
(iii) The auditor remains solely responsible for the auditor’s opinion.	(iii) The auditor remains solely responsible for the auditor’s opinion, <u>unless the auditor makes reference to a component auditor’s work.</u>	<u>(iii) The auditor remains solely responsible for the auditor’s opinion, unless the auditor makes reference to a component auditor’s work.</u>	Task force discussed how to address divided responsibilities in the U.S. and is seeking further input from the ASB on the most appropriate wording.

⁷ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁸ ~~ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*~~

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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
40. The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report also shall: (Ref: Para. A50)	41. 40. The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report also should shall: (Ref: Para. A50)	.41 The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report also should:	New section to further expand on auditor's responsibilities
(a) State that the auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit;	(a) State that the auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies and material weaknesses in internal control that the auditor identifies during the audit;	(a) State that the auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies and material weaknesses in internal control that the auditor identifies during the audit;	New to ISA 700 – communications with those charged with governance The task force supported convergence and believes this is helpful information.
(b) For audits of financial statements of listed entities, state that the auditor provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and	(b) For audits of financial statements of listed entities, state that the auditor provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and		New to ISA 700 – listed Entities – Ethical requirements

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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
where applicable, related safeguards; and	where applicable, related safeguards; and		
(c) For audits of financial statements of listed entities and any other entities for which key audit matters are communicated in accordance with ISA 701, state that, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits	(b) (c) For audits of financial statements of listed entities and any other entities for which key audit matters are communicated in accordance with AU-C ISA 701, state that, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits	<u>(b) For audits of financial statements for which key audit matters are communicated in accordance with AU-C 701, state that, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.</u>	New to ISA 700 – listed entities - KAM

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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
of such communication. (Ref: Para. A53)	of such communication. (Ref: Para. A53)		
Location of the description of the auditor's responsibilities for the audit of the financial statements	Location of the description of the auditor's responsibilities for the audit of the financial statements		New to ISA 700 – location of content
41. The description of the auditor's responsibilities for the audit of the financial statements required by paragraphs 39–40 shall be included: (Ref: Para. A54)	41. The description of the auditor's responsibilities for the audit of the financial statements required by paragraphs 39–40 should shall be included: (Ref: Para. A54)		ASB supports the inclusion of all elements in the body of the report.
(a) Within the body of the auditor's report;	(a) Within the body of the auditor's report;		
(b) Within an appendix to the auditor's report, in which case the auditor's report shall include a reference to the location of the appendix; or (Ref: Para. A54–A55)	(b) Within an appendix to the auditor's report, in which case the auditor's report should shall include a reference to the location of the appendix; or (Ref: Para. A54–A55) Error! eference source not found.–A55)		
(c) By a specific reference within the auditor's report to the location of such a description on a website of an appropriate authority, where law, regulation or national auditing standards expressly permit the	(c) By a specific reference within the auditor's report to the location of such a description on a website of an appropriate authority, where law, regulation or national auditing standards expressly permit the		

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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
auditor to do so. (Ref: Para. A54, A56–A57)	auditor to do so. (Ref: Para. A54, A56–A57)		
42. When the auditor refers to a description of the auditor’s responsibilities on a website of an appropriate authority, the auditor shall determine that such description addresses, and is not inconsistent with, the requirements in paragraphs 39–40 of this ISA. (Ref: Para. A56)	42. When the auditor refers to a description of the auditor’s responsibilities on a website of an appropriate authority, the auditor should shall determine that such description addresses, and is not inconsistent with, the requirements in paragraphs 39–40 of this ISA. (Ref: Para. A56)		
Other Reporting Responsibilities	Other Reporting Responsibilities	<i>Other Reporting Responsibilities</i>	
43. If the auditor addresses other reporting responsibilities in the auditor’s report on the financial statements that are in addition to the auditor’s responsibilities under the ISAs, these other reporting responsibilities shall be addressed in a separate section in the auditor’s report with a heading titled “Report on Other Legal and Regulatory Requirements” or otherwise as appropriate to the content of the section, unless these other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the ISAs in which case the other reporting responsibilities may be presented in the same section as the	43. 43.—If the auditor addresses other reporting responsibilities in the auditor’s report on the financial statements that are in addition to the auditor’s responsibilities under GAAS the ISAs, these other reporting responsibilities should shall be addressed in a separate section in the auditor’s report with a heading titled “Report on Other Legal and Regulatory Requirements” or otherwise as appropriate to the content of the section, unless these other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by GAAS the ISAs in which case the other reporting responsibilities may be presented in	.37–42. 42. If the auditor addresses other reporting responsibilities in the auditor’s report on the financial statements that are in addition to the auditor’s responsibility under GAAS to report on the financial statements, these other reporting responsibilities should be addressed in a separate section in the auditor’s report <u>with a heading titled that should be subtitled</u> “Report on Other Legal and Regulatory Requirements” or otherwise, as appropriate to the content of the section <u>unless these other reporting responsibilities address the same topics as those presented under the reporting responsibilities required</u>	The task force could not think of situations in which there

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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
related report elements required by the ISAs. (Ref: Para. A58–A60)	the same section as the related report elements required by GAAS the ISAs. (Ref: Para. A58–A60)	<u>by GAAS in which case the other reporting responsibilities may be presented in the same section as the related report elements required by GAAS.</u> (Ref: par. A32–A33)	would be other reporting responsibilities that would have the same topics and those under GAAS and therefore would like the ASB to provide further input on this topic.
44. If other reporting responsibilities are presented in the same section as the related report elements required by the ISAs, the auditor’s report shall clearly differentiate the other reporting responsibilities from the reporting that is required by the ISAs. (Ref: Para. A60)	43. 44. If other reporting responsibilities are presented in the same section as the related report elements required by the GAAS ISAs, the auditor’s report should shall clearly differentiate the other reporting responsibilities from the reporting that is required by the ISAs. (Ref: Para. A60)	<u>.43 If other reporting responsibilities are presented in the same section as the related report elements required by the GAAS, the auditor’s report should clearly differentiate the other reporting responsibilities from the reporting that is required by the ISAs.</u>	
45. If the auditor’s report contains a separate section that addresses other reporting responsibilities, the requirements of paragraphs 21–40 of this ISA shall be included under a section with a heading “Report on the Audit of the Financial Statements.” The “Report on Other Legal and Regulatory Requirements” shall follow the “Report on the Audit of the Financial Statements.” (Ref: Para. A60)	44. 45. If the auditor’s report contains a separate section that addresses other reporting responsibilities, the requirements of paragraphs 24 21– 41 40 of this proposed SAS ISA should shall be included under a section with a heading “Report on the Audit of the Financial Statements.” The “Report on Other Legal and Regulatory Requirements” should shall follow the “Report on the Audit of the Financial Statements.” (Ref: Para. A60)	38 <u>.44</u> If the auditor’s report contains a separate section that addresses on other reporting responsibilities, the requirements of headings, statements, and explanations referred to in paragraphs .245–.423 6 should be <u>included</u> under <u>a section with a heading the subtitle</u> “Report on the <u>Audit of the</u> Financial Statements.” The “Report on Other Legal and Regulatory Requirements” should follow the “Report on <u>the Audit of</u> the Financial Statements.” (Ref: par. A34)	

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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
Name of the Engagement Partner	Name of the Engagement Partner		
46. The name of the engagement partner shall be included in the auditor's report for audits of complete sets of general purpose financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. In the rare circumstances that the auditor intends not to include the name of the engagement partner in the auditor's report, the auditor shall discuss this intention with those charged with governance to inform the auditor's assessment of the likelihood and severity of a significant personal security threat. (Ref: Para. A61–A63)	46. The name of the engagement partner shall be included in the auditor's report for audits of complete sets of general purpose financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. In the rare circumstances that the auditor intends not to include the name of the engagement partner in the auditor's report, the auditor shall discuss this intention with those charged with governance to inform the auditor's assessment of the likelihood and severity of a significant personal security threat. (Ref: Para. A61–A63)		New section – name of the engagement partner ASB agrees this should not be included in the proposed SAS as the ISA requires this only for listed entities. ASB also agrees that no application material is needed.
Signature of the Auditor	Signature of the Auditor	<i>Signature of the Auditor</i>	
47. The auditor's report shall be signed. (Ref: Para. A64–A65)	45. 47.—The auditor's report <u>should</u>shall include the manual or printed signature of the auditor's firm. <u>be signed.</u> (Ref: Para. A64–A65)	39 45. The auditor's report should include the manual or printed signature of the auditor's firm. (Ref: par. A35–A36)	The task force believes that the extant AU-C 700 language provides better clarity.

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ISA 700 (Revised) (clean)	ISA 700 (Revised) (marked to reflect proposed AU-C 700 wording)	Extant AU-C 700 (marked to reflect proposed AU-C 700 wording)	Comments
Auditor's Address	Auditor's Address	<i>Auditor's Address</i>	
48. The auditor's report shall name the location in the jurisdiction where the auditor practices.	46. 48. —The auditor's report should shall name the city and state location in the jurisdiction where the auditor practices.	40 <u>.46</u> The auditor's report should name the city and state where the auditor practices. (Ref: par. A37)	The task force discussed the differences between where the auditor practices and where the auditor's report has been issued (PCAOB) to determine whether there is a practical difference. The task force would like the ASB to provide their thoughts on this point.
Date of the Auditor's Report	Date of the Auditor's Report	<i>Date of the Auditor's Report</i>	
49. The auditor's report shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that: (Ref: Para. A66–A69)	47. 49. —The auditor's report should shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that: (Ref: Para. A66–A69)	.41 <u>.47</u> The auditor's report should be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that	ASB supported the proposed wording and recommended the task force consider including a reference to paragraph .18 and .19 of AU-C 220 as application material as it relates to the requirement for audit documentation to be reviewed.
		a. — the audit documentation has been reviewed;	AU-C 700 added this to conform to paragraph .01 of

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			AU section 530 <i>Dating of the Independent Auditor's Report.</i>
(a) All the statements that comprise the financial statements, including the related notes, have been prepared; and	(a) All the statements that comprise the financial statements <u>comprise</u> , including the related notes, have been prepared; and	b. all the statements that the financial statements comprise, including the related notes, have been prepared; and	
(b) Those with the recognized authority have asserted that they have taken responsibility for those financial statements.	(b) <u>Management</u> Those with the recognized authority has have asserted that they have taken responsibility for those financial statements.	c. management has asserted that they have taken responsibility for those financial statements. (Ref: par. A38-A41)	

ISA 700 (Revised) – Application Material (For Informational Purposes Only)

Note: The Auditor Reporting Task Force has not discussed the application material from ISA 700 and has provided this solely for information purposes.

Qualitative Aspects of the Entity’s Accounting Practices (Ref: Para. 12)

A1. Management makes a number of judgments about the amounts and disclosures in the financial statements.

A2. ISA 260 (Revised) contains a discussion of the qualitative aspects of accounting practices.⁹ In considering the qualitative aspects of the entity’s accounting practices, the auditor may become aware of possible bias in management’s judgments. The auditor may conclude that the cumulative effect of a lack of neutrality, together with the effect of uncorrected misstatements, causes the financial statements as a whole to be materially misstated. Indicators of a lack of neutrality that may affect the auditor’s evaluation of whether the financial statements as a whole are materially misstated include the following:

- The selective correction of misstatements brought to management’s attention during the audit (e.g., correcting misstatements with the effect of increasing reported earnings, but not correcting misstatements that have the effect of decreasing reported earnings).
- Possible management bias in the making of accounting estimates.

A3. ISA 540 addresses possible management bias in making accounting estimates.¹⁰ Indicators of possible management bias do not constitute misstatements for purposes of drawing conclusions on the reasonableness of individual accounting estimates. They may, however, affect the auditor’s evaluation of whether the financial statements as a whole are free from material misstatement.

Accounting Policies Appropriately Disclosed in the Financial Statements (Ref: Para. 13(a))

A4. In evaluating whether the financial statements appropriately disclose the significant accounting policies selected and applied, the auditor’s consideration includes matters such as:

- Whether all disclosures related to the significant accounting policies that are required to be included by the applicable financial reporting framework have been disclosed:

⁹ ISA 260 (Revised), *Communication with Those Charged with Governance*, Appendix 2

¹⁰ ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, paragraph 21

- Whether the information about the significant accounting policies that has been disclosed is relevant and therefore reflects how the recognition, measurement and presentation criteria in the applicable financial reporting framework have been applied to classes of transactions, account balances, and disclosures in the financial statements in the particular circumstances of the entity's operations and its environment; and
- The clarity with which the significant accounting policies have been presented.

Information Presented in the Financial Statements Is Relevant, Reliable, Comparable and Understandable (Ref: Para. 13(d))

A5. Evaluating the understandability of the financial statements includes consideration of such matters whether:

- The information in the financial statements is presented in a clear and concise manner.
- The placement of significant disclosures gives appropriate prominence to them (e.g., when there is perceived value of entity-specific information to users), and whether the disclosures are appropriately cross-referenced in a manner that would not give rise to significant challenges for users in identifying necessary information.

Disclosures of the Effect of Material Transactions and Events on the Information Conveyed in the Financial Statements (Ref: Para. 13(e))

A6. It is common for financial statements prepared in accordance with a general purpose framework to present an entity's financial position, financial performance and cash flows. Evaluating whether, in view of the applicable financial reporting framework, the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the entity's financial position, financial performance and cash flows includes consideration of such matters as:

- The extent to which the information in the financial statements is relevant and specific to the circumstances of the entity; and
- Whether the disclosures are adequate to assist the intended users to understand:
 - The nature and extent of the entity's potential assets and liabilities arising from transactions or events that do not meet the criteria for recognition (or the criteria for derecognition) established by the applicable financial reporting framework.
 - The nature and extent of risks of material misstatement arising from transactions and events.
 - The methods used and the assumptions and judgments made, and changes to them, that affect amount presented or otherwise disclosed, including relevant sensitivity analysis.

Evaluating Whether the Financial Statements Achieve Fair Presentation (Ref: Para. 14)

A7. Some financial reporting frameworks acknowledge explicitly or implicitly the concept of fair presentation.¹¹ As noted in paragraph 7(b) of this ISA,

¹¹ Fn 20 – For example, International Financial Reporting Standards (IFRSs) note that fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses.

a fair presentation¹² financial reporting framework not only requires compliance with the requirements of the framework, but also acknowledges explicitly or implicitly that it may be necessary for management to provide disclosures beyond those specifically required by the framework.¹³

A8. The auditor's evaluation about whether the financial statements achieve fair presentation, both in respect of presentation and disclosure, is a matter of professional judgment. This evaluation takes into account such matters as the facts and circumstances of the entity, including changes thereto, based on the auditor's understanding of the entity and the audit evidence obtained during the audit. The evaluation also includes consideration, for example, of the disclosures needed to achieve a fair presentation arising from matters that could be material (i.e., in general, misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of the users taken on the basis of the financial statements as a whole), such as the effect of evolving financial reporting requirements or the changing economic environment.

A9. Evaluating whether the financial statements achieve fair presentation may include, for example, discussions with management and those charged with governance about their views on why a particular presentation was chosen as well as alternatives that may have been considered. The discussions may include, for example,

- The degree to which the amounts in the financial statements are aggregated or disaggregated, and whether the presentation of amounts or disclosures obscures useful information, or results in misleading information.
- Consistency with appropriate industry practice, or whether any departures are relevant to the entity's circumstances and therefore warranted.

Description of the Applicable Financial Reporting Framework (Ref: Para. 15)

¹² Fn 21 – See ISA 200, paragraph 13(a)

¹³ Fn 22 – For example, IFRSs require an entity to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance (International Accounting Standard 1, *Presentation of Financial Statements*, paragraph 17(c)).

A10. As explained in ISA 200, the preparation of the financial statements by management and, where appropriate, those charged with governance requires the inclusion of an adequate description of the applicable financial reporting framework in the financial statements.¹⁴ That description advises users of the financial statements of the framework on which the financial statements are based.

A11. A description that the financial statements are prepared in accordance with a particular applicable financial reporting framework is appropriate only if the financial statements comply with all the requirements of that framework that are effective during the period covered by the financial statements.

A12. A description of the applicable financial reporting framework that contains imprecise qualifying or limiting language (e.g., “the financial statements are in substantial compliance with International Financial Reporting Standards”) is not an adequate description of that framework as it may mislead users of the financial statements.

Reference to More than One Financial Reporting Framework

A13. In some cases, the financial statements may represent that they are prepared in accordance with two financial reporting frameworks (e.g., the national framework and IFRSs). This may be because management is required, or has chosen, to prepare the financial statements in accordance with both frameworks, in which case both are applicable financial reporting frameworks. Such description is appropriate only if the financial statements comply with each of the frameworks individually. To be regarded as being prepared in accordance with both frameworks, the financial statements need to comply with both frameworks simultaneously and without any need for reconciling statements. In practice, simultaneous compliance is unlikely unless the jurisdiction has adopted the other framework (e.g., IFRSs) as its own national framework, or has eliminated all barriers to compliance with it.

A14. Financial statements that are prepared in accordance with one financial reporting framework and that contain a note or supplementary statement reconciling the results to those that would be shown under another framework are not prepared in accordance with that other framework. This is because the financial statements do not include all the information in the manner required by that other framework.

A15. The financial statements may, however, be prepared in accordance with one applicable financial reporting framework and, in addition, describe in the notes to the financial statements the extent to which the financial statements comply with another framework (e.g., financial statements prepared in accordance with the national framework that also describe the extent to which they comply with IFRSs). Such description may constitute supplementary financial information as discussed in paragraph 54 and is covered by the auditor’s opinion if it cannot be clearly differentiated from the financial statements.

¹⁴ ISA 200, paragraphs A2–A3

Form of Opinion

A16. There may be cases where the financial statements, although prepared in accordance with the requirements of a fair presentation framework, do not achieve fair presentation. Where this is the case, it may be possible for management to include additional disclosures in the financial statements beyond those specifically required by the framework or, in extremely rare circumstances, to depart from a requirement in the framework in order to achieve fair presentation of the financial statements. (Ref: Para. 18)

A17. It will be extremely rare for the auditor to consider financial statements that are prepared in accordance with a compliance framework to be misleading if, in accordance with ISA 210, the auditor determined that the framework is acceptable.¹⁵ (Ref: Para. 19)

Auditor's Report (Ref: Para. 20)

A18. A written report encompasses reports issued in hard copy and those using an electronic medium.

A19. The Appendix to this ISA contains illustrations of auditor's reports on financial statements, incorporating the elements set out in paragraphs 21–49. With the exception of the Opinion and Basis for Opinion sections, this ISA does not establish requirements for ordering the elements of the auditor's report. However, this ISA requires the use of specific headings, which are intended to assist in making auditor's reports that refer to audits that have been conducted in accordance with ISAs more recognizable, particularly in situations where the elements of the auditor's report are presented in an order that differs from the illustrative auditor's reports in the Appendix to this ISA.

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

Title (Ref: Para. 21)

A20. A title indicating the report is the report of an independent auditor, for example, "Independent Auditor's Report," distinguishes the independent auditor's report from reports issued by others.

Addressee (Ref: Para. 22)

A21. Law, regulation or the terms of the engagement may specify to whom the auditor's report is to be addressed in that particular jurisdiction. The auditor's report is normally addressed to those for whom the report is prepared, often either to the shareholders or to those charged with governance of the entity whose financial statements are being audited.

¹⁵ ISA 210, *Agreeing the Terms of Audit Engagements*, paragraph 6(a)

Auditor's Opinion (Ref. Para. 24–26)

Reference to the financial statements that have been audited

A22. The auditor's report states, for example, that the auditor has audited the financial statements of the entity, which comprise [state the title of each financial statement comprising the complete set of financial statements required by the applicable financial reporting framework, specifying the date or period covered by each financial statement] and notes to the financial statements, including a summary of significant accounting policies.

A23. When the auditor is aware that the audited financial statements will be included in a document that contains other information, such as an annual report, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited financial statements are presented. This helps users to identify the financial statements to which the auditor's report relates.

“Present fairly, in all material respects” or “give a true and fair view”

A24. The phrases “present fairly, in all material respects,” and “give a true and fair view” are regarded as being equivalent. Whether the phrase “present fairly, in all material respects,” or the phrase “give a true and fair view” is used in any particular jurisdiction is determined by the law or regulation governing the audit of financial statements in that jurisdiction, or by generally accepted practice in that jurisdiction. Where law or regulation requires the use of different wording, this does not affect the requirement in paragraph 14 of this ISA for the auditor to evaluate the fair presentation of financial statements prepared in accordance with a fair presentation framework.

A25. When the auditor expresses an unmodified opinion, it is not appropriate to use phrases such as “with the foregoing explanation” or “subject to” in relation to the opinion, as these suggest a conditional opinion or a weakening or modification of opinion.

Description of the financial statements and the matters they present

A26. The auditor's opinion covers the complete set of financial statements as defined by the applicable financial reporting framework. For example, in the case of many general purpose frameworks, the financial statements may include: a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and related notes, which ordinarily comprise a summary of significant accounting policies and other explanatory information. In some jurisdictions, additional information may also be considered to be an integral part of the financial statements.

A27. In the case of financial statements prepared in accordance with a fair presentation framework, the auditor's opinion states that the financial statements present fairly, in all material respects, or give a true and fair view of, the matters that the financial statements are designed to present. For example, in the case of financial statements prepared in accordance with IFRSs, these matters are *the financial position of the entity as at the end of the period and the entity's financial performance and cash flows for the period then ended*. Consequently, the [...] in paragraph 25 and elsewhere in

this ISA is intended to be replaced by the words in italics in the preceding sentence when the applicable financial reporting framework is IFRSs or, in the case of other applicable financial reporting frameworks, be replaced with words that describe the matters that the financial statements are designed to present.

Description of the applicable financial reporting framework and how it may affect the auditor's opinion

A28. The identification of the applicable financial reporting framework in the auditor's opinion is intended to advise users of the auditor's report of the context in which the auditor's opinion is expressed; it is not intended to limit the evaluation required in paragraph 14. The applicable financial reporting framework is identified in such terms as:

"... in accordance with International Financial Reporting Standards" or

"... in accordance with accounting principles generally accepted in Jurisdiction X ..."

A29. When the applicable financial reporting framework encompasses financial reporting standards and legal or regulatory requirements, the framework is identified in such terms as "... in accordance with International Financial Reporting Standards and the requirements of Jurisdiction X Corporations Act." ISA 210 deals with circumstances where there are conflicts between the financial reporting standards and the legislative or regulatory requirements.¹⁶

A30. As indicated in paragraph A8, the financial statements may be prepared in accordance with two financial reporting frameworks, which are therefore both applicable financial reporting frameworks. Accordingly, each framework is considered separately when forming the auditor's opinion on the financial statements, and the auditor's opinion in accordance with paragraphs 25–27 refers to both frameworks as follows:

- (a) If the financial statements comply with each of the frameworks individually, two opinions are expressed: that is, that the financial statements are prepared in accordance with one of the applicable financial reporting frameworks (e.g., the national framework) and an opinion that the financial statements are prepared in accordance with the other applicable financial reporting framework (e.g., IFRSs). These opinions may be expressed separately or in a single sentence (e.g., the financial statements are presented fairly, in all material respects [...], in accordance with accounting principles generally accepted in Jurisdiction X and with IFRSs).
- (b) If the financial statements comply with one of the frameworks but fail to comply with the other framework, an unmodified opinion can be given that the financial statements are prepared in accordance with the one framework (e.g., the national framework) but a modified opinion given with regard to the other framework (e.g., IFRSs) in accordance with ISA 705 (Revised).

¹⁶ ISA 210, paragraph 18

A31. As indicated in paragraph A13, the financial statements may represent compliance with the applicable financial reporting framework and, in addition, disclose the extent of compliance with another financial reporting framework. Such supplementary information is covered by the auditor's opinion if it cannot be clearly differentiated from the financial statements (see paragraphs 53–54 and related application material in paragraphs A78–A86). Accordingly,

- (a) If the disclosure as to the compliance with the other framework is misleading, a modified opinion is expressed in accordance with ISA 705 (Revised).
- (b) If the disclosure is not misleading, but the auditor judges it to be of such importance that it is fundamental to the users' understanding of the financial statements, an Emphasis of Matter paragraph is added in accordance with ISA 706 (Revised), drawing attention to the disclosure.

Basis for Opinion (Ref: Para. 28)

A32. The Basis for Opinion section provides important context about the auditor's opinion. Accordingly, this ISA requires the Basis for Opinion section to directly follow the Opinion section in the auditor's report.

A33. The reference to the standards used conveys to the users of the auditor's report that the audit has been conducted in accordance with established standards.

Relevant ethical requirements (Ref: Para. 28(c))

A34. The identification of the jurisdiction of origin of relevant ethical requirements increases transparency about those requirements relating to the particular audit engagement. ISA 200 explains that relevant ethical requirements ordinarily comprise Parts A and B of the IESBA Code related to an audit of financial statements together with national requirements that are more restrictive.¹⁷ When the relevant ethical requirements include those of the IESBA Code, the statement may also make reference to the IESBA Code. If the IESBA Code constitutes all of the ethical requirements relevant to the audit, the statement need not identify a jurisdiction of origin.

A35. In some jurisdictions, relevant ethical requirements may exist in several different sources, such as the ethical code(s) and additional rules and requirements within law and regulation. When the independence and other relevant ethical requirements are contained in a limited number of sources, the auditor may choose to name the relevant source(s) (e.g., the name of the code, rule or regulation applicable in the jurisdiction), or may refer to a term that is commonly understood and that appropriately summarizes those sources (e.g., independence requirements for audits of private entities in Jurisdiction X).

¹⁷ ISA 200, paragraph A14

A36. Law or regulation, national auditing standards or the terms of an audit engagement may require the auditor to provide in the auditor's report more specific information about the sources of the relevant ethical requirements, including those pertaining to independence, that applied to the audit of the financial statements.

A37. In determining the appropriate amount of information to include in the auditor's report when there are multiple sources of relevant ethical requirements relating to the audit of the financial statements, an important consideration is balancing transparency against the risk of obscuring other useful information in the auditor's report.

Considerations specific to group audits

A38. In group audits when there are multiple sources of relevant ethical requirements, including those pertaining to independence, the reference in the auditor's report to the jurisdiction ordinarily relates to the relevant ethical requirements that are applicable to the group engagement team. This is because, in a group audit, component auditors are also subject to ethical requirements that are relevant to the group audit.¹⁸

A39. The ISAs do not establish specific independence or ethical requirements for auditors, including component auditors, and thus do not extend, or otherwise override, the independence requirements of the IESBA Code or other ethical requirements to which the group engagement team is subject, nor do the ISAs require that the component auditor in all cases to be subject to the same specific independence requirements that are applicable to the group engagement team. As a result, relevant ethical requirements, including those pertaining to independence, in a group audit situation may be complex. ISA 600¹⁹ provides guidance for auditors in performing work on the financial information of a component for a group audit, including those situations where the component auditor does not meet the independence requirements that are relevant to the group audit.

Key Audit Matters (Ref: Para. 31)

A40. Law or regulation may require communication of key audit matters for audits of entities other than listed entities, for example, entities characterized in such law or regulation as public interest entities.

A41. The auditor may also decide to communicate key audit matters for other entities, including those that may be of significant public interest, for example because they have a large number and wide range of stakeholders and considering the nature and size of the business. Examples of such entities may include financial institutions (such as banks, insurance companies, and pension funds), and other entities such as charities.

A42. ISA 210 requires the auditor to agree the terms of the audit engagement with management and those charged with governance, as appropriate, and explains that the roles of management and those charged with governance in agreeing the terms of the audit engagement for the entity depend

¹⁸ ISA 600, paragraph A37

¹⁹ ISA 600, paragraphs 19–20

on the governance arrangements of the entity and relevant law or regulation.²⁰ ISA 210 also requires the audit engagement letter or other suitable form of written agreement to include reference to the expected form and content of any reports to be issued by the auditor.²¹ When the auditor is not otherwise required to communicate key audit matters, ISA 210²² explains that it may be helpful for the auditor to make reference in the terms of the audit engagement to the possibility of communicating key audit matters in the auditor's report and, in certain jurisdictions, it may be necessary for the auditor to include a reference to such possibility in order to retain the ability to do so.

Considerations specific to public sector entities

A43. Listed entities are not common in the public sector. However, public sector entities may be significant due to size, complexity or public interest aspects. In such cases, an auditor of a public sector entity may be required by law or regulation or may otherwise decide to communicate key audit matters in the auditor's report.

Responsibilities for the Financial Statements (Ref: Para. 33–35)

A44. ISA 200 explains the premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit in accordance with ISAs is conducted.²³ Management and, where appropriate, those charged with governance accept responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including, where relevant, their fair presentation. Management also accepts responsibility for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The description of management's responsibilities in the auditor's report includes reference to both responsibilities as it helps to explain to users the premise on which an audit is conducted. ISA 260 (Revised) uses the term those charged with governance to describe the person(s) or organization(s) with responsibility for overseeing the entity, and provides a discussion about the diversity of governance structures across jurisdictions and by entity.

A45. There may be circumstances when it is appropriate for the auditor to add to the descriptions of the responsibilities of management and those charged with governance in paragraphs 34–35 to reflect additional responsibilities that are relevant to the preparation of the financial statements in the context of the particular jurisdiction or the nature of the entity.

²⁰ ISA 210, paragraphs 9 and A21

²¹ ISA 210, paragraph 10

²² ISA 210, paragraph A23a

²³ ISA 200, paragraph 13(j)

A46. ISA 210 requires the auditor to agree management's responsibilities in an engagement letter or other suitable form of written agreement.²⁴ ISA 210 provides some flexibility in doing so, by explaining that, if law or regulation prescribes the responsibilities of management and, where appropriate, those charged with governance in relation to financial reporting, the auditor may determine that the law or regulation includes responsibilities that, in the auditor's judgment, are equivalent in effect to those set out in ISA 210. For such responsibilities that are equivalent, the auditor may use the wording of the law or regulation to describe them in the engagement letter or other suitable form of written agreement. In such cases, this wording may also be used in the auditor's report to describe the responsibilities as required by paragraph 34(a) of this ISA. In other circumstances, including where the auditor decides not to use the wording of law or regulation as incorporated in the engagement letter, the wording in paragraph 34(a) of this ISA is used. In addition to including the description of management's responsibilities in the auditor's report as required by paragraph 34, the auditor may refer to a more detailed description of these responsibilities by including a reference to where such information may be obtained (e.g., in the annual report of the entity or a website of an appropriate authority).

A47. In some jurisdictions, law or regulation prescribing management's responsibilities may specifically refer to a responsibility for the adequacy of accounting books and records, or accounting system. As books, records and systems are an integral part of internal control (as defined in ISA 315 (Revised)²⁵), the descriptions in ISA 210 and in paragraph 34 do not make specific reference to them.

A48. The Appendix to this ISA provides illustrations of how the requirement in paragraph 34(b) would be applied when IFRSs is the applicable financial reporting framework. If an applicable financial reporting framework other than IFRSs is used, the illustrative statements featured in the Appendix to this ISA may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.

Oversight of the financial reporting process (Ref: Para. 35)

A49. When some, but not all, of the individuals involved in the oversight of the financial reporting process are also involved in preparing the financial statements, the description as required by paragraph 34 of this ISA may need to be modified to appropriately reflect the particular circumstances of the entity. When individuals responsible for the oversight of the financial reporting process are the same as those responsible for the preparation of the financial statements, no reference to oversight responsibilities is required.

Auditor's Responsibilities for the Audit of the Financial Statements (Ref: Para. 37–40)

A50. The description of the auditor's responsibilities as required by paragraphs 37–40 of this ISA may be tailored to reflect the specific nature of the entity, for example, when the auditor's report addresses consolidated financial statements. Illustration 2 in the Appendix to this ISA includes an example of how this may be done.

²⁴ ISA 210, paragraph 6(b)(i)–(ii)

²⁵ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph 4(c)

Objectives of the auditor (Ref: Para. 38(a))

A51. The auditor's report explains that the objectives of the auditor are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the auditor's opinion. These are in contrast to management's responsibilities for the preparation for the financial statements.

Description of materiality (Ref: Para. 38(c))

A52. The Appendix to this ISA provides illustrations of how the requirement in paragraph 38(c), to provide a description of materiality, would be applied when IFRSs is the applicable financial reporting framework. If an applicable financial reporting framework other than IFRSs is used, the illustrative statements presented in the Appendix to this ISA may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.

Auditor's responsibilities relating to ISA 701 (Ref: Para. 40(c))

A53. The auditor may also consider it useful to provide additional information in the description of the auditor's responsibilities beyond what is required by paragraph 40(c). For example, the auditor may make reference to the requirement in paragraph 9 of ISA 701 to determine the matters that required significant auditor attention in performing the audit, taking into account areas of higher assessed risk of material misstatement or significant risks identified in accordance with ISA 315 (Revised); significant auditor judgments relating to areas in the financial statements that involved significant management judgment, including accounting estimates that have been identified as having high estimation uncertainty; and the effects on the audit of significant events or transactions that occurred during the period.

Location of the description of the auditor's responsibilities for the audit of the financial statements (Ref: Para. 41, 50(k))

A54. Including the information required by paragraphs 39–40 of this ISA in an appendix to the auditor's report or, when law, regulation or national auditing standards expressly permit, referring to a website of an appropriate authority containing such information may be a useful way of streamlining the content of the auditor's report. However, because the description of the auditor's responsibilities contains information that is necessary to inform users' expectations of an audit conducted in accordance with ISAs, a reference is required to be included in the auditor's report indicating where such information can be accessed.

Location in an appendix (Ref: Para. 41(b), 50(k))

A55. Paragraph 41 permits the auditor to include the statements required by paragraphs 39–40 describing the auditor’s responsibilities for the audit of the financial statements in an appendix to the auditor’s report, provided that appropriate reference is made within the body of the auditor’s report to the location of the appendix. The following is an illustration of how such a reference to an appendix could be made in the auditor’s report:

Auditor’s Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is included in appendix X of this auditor’s report. This description, which is located at [*indicate page number or other specific reference to the location of the description*], forms part of our auditor’s report.

Reference to a website of an appropriate authority (Ref: Para. 41(c), 42)

A56. Paragraph 41 explains that the auditor may refer to a description of the auditor’s responsibilities located on a website of an appropriate authority, only if expressly permitted by law, regulation or national auditing standards. The information on the website that is incorporated in the auditor’s report by way of a specific reference to the website location where such information can be found may describe the auditor’s work, or the audit in accordance with ISAs more broadly, but it cannot be inconsistent with the description required in paragraphs 39–40 of this ISA. This means that the wording of the description of the auditor’s responsibilities on the website may be more detailed, or may address other matters relating to an audit of financial statements, provided that such wording reflects and does not contradict the matters addressed in paragraphs 39–40.

A57. An appropriate authority could be a national auditing standard setter, regulator, or an audit oversight body. Such organizations are well-placed to ensure the accuracy, completeness and continued availability of the standardized information. It would not be appropriate for the auditor to maintain such a website. The following is an illustration of how such a reference to a website could be made in the auditor’s report:

Auditor’s Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located at [*Organization's*] website at: [*website address*]. This description forms part of our auditor's report.

Other Reporting Responsibilities (Ref: Para. 43–45)

A58. In some jurisdictions, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibilities under the ISAs. For example, the auditor may be asked to report certain matters if they come to the auditor's attention during the course of the audit of the financial statements. Alternatively, the auditor may be asked to perform and report on additional specified procedures, or to express an opinion on specific matters, such as the adequacy of accounting books and records, internal control over financial reporting or other information. Auditing standards in the specific jurisdiction often provide guidance on the auditor's responsibilities with respect to specific additional reporting responsibilities in that jurisdiction.

A59. In some cases, the relevant law or regulation may require or permit the auditor to report on these other responsibilities as part of their auditor's report on the financial statements. In other cases, the auditor may be required or permitted to report on them in a separate report.

A60. Paragraphs 43–45 of this ISA permit combined presentation of other reporting responsibilities and the auditor's responsibilities under the ISAs only when they address the same topics and the wording of the auditor's report clearly differentiates the other reporting responsibilities from those under the ISAs. Such clear differentiation may make it necessary for the auditor's report to refer to the source of the other reporting responsibilities and to state that such responsibilities are beyond those required under the ISAs. Otherwise, other reporting responsibilities are required to be addressed in a separate section in the auditor's report with a heading "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content of the section. In such cases, paragraph 44 requires the auditor to include reporting responsibilities under the ISAs under a heading titled "Report on the Audit of the Financial Statements."

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

A61. ISQC 1²⁶ requires that the firm establish policies and procedures to provide reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements. Notwithstanding these ISQC 1 requirements, naming the engagement partner in the auditor's report is intended to provide further transparency to the users of the auditor's report of a complete set of general purpose financial statements of a listed entity.

A62. Law, regulation or national auditing standards may require that the auditor's report include the name of the engagement partner responsible for audits other than those of complete sets of general purpose financial statements of listed entities. The auditor may also be required by law, regulation

²⁶ ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, paragraph 32

or national auditing standards, or may decide to include additional information beyond the engagement partner's name in the auditor's report to further identify the engagement partner, for example, the engagement partner's professional license number that is relevant to the jurisdiction where the auditor practices.

A63. In rare circumstances, the auditor may identify information or be subject to experiences that indicate the likelihood of a personal security threat that, if the identity of the engagement partner is made public, may result in physical harm to the engagement partner, other engagement team members or other closely related individuals. However, such a threat does not include, for example, threats of legal liability or legal, regulatory or professional sanctions. Discussions with those charged with governance about circumstances that may result in physical harm may provide additional information about the likelihood or severity of the significant personal security threat. Law, regulation or national auditing standards may establish further requirements that are relevant to determining whether the disclosure of the name of the engagement partner may be omitted.

Signature of the Auditor (Ref: Para. 47)

A64. The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate for the particular jurisdiction. In addition to the auditor's signature, in certain jurisdictions, the auditor may be required to declare in the auditor's report the auditor's professional accountancy designation or the fact that the auditor or firm, as appropriate, has been recognized by the appropriate licensing authority in that jurisdiction.

A65. In some cases, law or regulation may allow for the use of electronic signatures in the auditor's report.

Date of the Auditor's Report (Ref: Para. 49)

A66. The date of the auditor's report informs the user of the auditor's report that the auditor has considered the effect of events and transactions of which the auditor became aware and that occurred up to that date. The auditor's responsibility for events and transactions after the date of the auditor's report is addressed in ISA 560.²⁷

²⁷ ISA 560, *Subsequent Events*, paragraphs 10–17

A67. Since the auditor's opinion is provided on the financial statements and the financial statements are the responsibility of management, the auditor is not in a position to conclude that sufficient appropriate audit evidence has been obtained until evidence is obtained that all the statements that comprise the financial statements, including the related notes, have been prepared and management has accepted responsibility for them.

A68. In some jurisdictions, law or regulation identifies the individuals or bodies (e.g., the directors) that are responsible for concluding that all the statements that comprise the financial statements, including the related notes, have been prepared, and specifies the necessary approval process. In such cases, evidence is obtained of that approval before dating the report on the financial statements. In other jurisdictions, however, the approval process is not prescribed in law or regulation. In such cases, the procedures the entity follows in preparing and finalizing its financial statements in view of its management and governance structures are considered in order to identify the individuals or body with the authority to conclude that all the statements that comprise the financial statements, including the related notes, have been prepared. In some cases, law or regulation identifies the point in the financial statement reporting process at which the audit is expected to be complete.

A69. In some jurisdictions, final approval of the financial statements by shareholders is required before the financial statements are issued publicly. In these jurisdictions, final approval by shareholders is not necessary for the auditor to conclude that sufficient appropriate audit evidence has been obtained. The date of approval of the financial statements for purposes of ISAs is the earlier date on which those with the recognized authority determine that all the statements that comprise the financial statements, including the related notes, have been prepared and that those with the recognized authority have asserted that they have taken responsibility for them.

Auditor's Report Prescribed by Law or Regulation (Ref: Para. 50)

A70. ISA 200 explains that the auditor may be required to comply with legal or regulatory requirements in addition to ISAs.²⁸ When the differences between the legal or regulatory requirements and ISAs relate only to the layout and wording of the auditor's report, the requirements in paragraph 50(a)–(o) set out the minimum elements to be included in the auditor's report to enable a reference to the International Standards on Auditing. In those circumstances, the requirements in paragraphs 21–49 that are not included in paragraph 50(a)–(o) do not need to be applied including, for example, the required ordering of the Opinion and Basis for Opinion sections.

A71. Where specific requirements in a particular jurisdiction do not conflict with ISAs, the layout and wording required by paragraphs 21–49 of this ISA assist users of the auditor's report in more readily recognizing the auditor's report as a report of an audit conducted in accordance with ISAs.

²⁸ ISA 200, paragraph A55

Information Required by ISA 701 (Ref: Para. 50(h))

A72. Law or regulation may require the auditor to provide additional information about the audit that was performed, which may include information that is consistent with the objectives of ISA 701, or may prescribe the nature and extent of communication about such matters.

A73. The ISAs do not override law or regulation that governs an audit of financial statements. When ISA 701 is applicable, reference can only be made to ISAs in the auditor's report if, in applying the law or regulation, the section required by paragraph 50(h) of this ISA is not inconsistent with the reporting requirements in ISA 701. In such circumstances, the auditor may need to tailor certain aspects of the communication of key audit matters in the auditor's report required by ISA 701, for example by:

- Modifying the heading "Key Audit Matters", if law or regulation prescribes a specific heading;
- Explaining why the information required by law or regulation is being provided in the auditor's report, for example by making a reference to the relevant law or regulation and describing how that information relates to the key audit matters;
- Where law or regulation prescribes the nature and extent of the description, supplementing the prescribed information to achieve an overall description of each key audit matter that is consistent with the requirement in paragraph 13 of ISA 701.

A74. ISA 210 deals with circumstances where law or regulation of the relevant jurisdiction prescribes the layout or wording of the auditor's report in terms that are significantly different from the requirements of ISAs, which in particular includes the auditor's opinion. In these circumstances, ISA 210 requires the auditor to evaluate:

- (a) Whether users might misunderstand the assurance obtained from the audit of the financial statements and, if so,
- (b) Whether additional explanation in the auditor's report can mitigate possible misunderstanding.

If the auditor concludes that additional explanation in the auditor's report cannot mitigate possible misunderstanding, ISA 210 requires the auditor not to accept the audit engagement, unless required by law or regulation to do so. In accordance with ISA 210, an audit conducted in accordance with such law or regulation does not comply with ISAs. Accordingly, the auditor does not include any reference in the auditor's report to the audit having been conducted in accordance with International Standards on Auditing.²⁹

Considerations specific to public sector entities

A75. Auditors of public sector entities may also have the ability pursuant to law or regulation to report publicly on certain matters, either in the auditor's report or in a supplementary report, which may include information that is consistent with the objectives of ISA 701. In such circumstances, the auditor

²⁹ ISA 210, paragraph 21

may need to tailor certain aspects of the communication of key audit matters in the auditor's report required by ISA 701 or include a reference in the auditor's report to a description of the matter in the supplementary report.

Auditor's Report for Audits Conducted in Accordance with Both Auditing Standards of a Specific Jurisdiction and International Standards on Auditing (Ref: Para. 51)

A76. The auditor may refer in the auditor's report to the audit having been conducted in accordance with both International Standards on Auditing as well as the national auditing standards when, in addition to complying with the relevant national auditing standards, the auditor complies with each of the ISAs relevant to the audit.³⁰

A77. A reference to both International Standards on Auditing and the national auditing standards is not appropriate if there is a conflict between the requirements in ISAs and those in the national auditing standards that would lead the auditor to form a different opinion or not to include an Emphasis of Matter or Other Matter paragraph that, in the particular circumstances, is required by ISAs. In such a case, the auditor's report refers only to the auditing standards (either International Standards on Auditing or the national auditing standards) in accordance with which the auditor's report has been prepared.

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

A78. In some circumstances, the entity may be required by law, regulation or standards, or may voluntarily choose, to present together with the financial statements supplementary information that is not required by the applicable financial reporting framework. For example, supplementary information might be presented to enhance a user's understanding of the applicable financial reporting framework or to provide further explanation of specific financial statement items. Such information is normally presented in either supplementary schedules or as additional notes.

A79. Paragraph 53 of this ISA explains that the auditor's opinion covers supplementary information that is an integral part of the financial statements because of its nature or how it is presented. This evaluation is a matter of professional judgment. To illustrate:

- When the notes to the financial statements include an explanation or the reconciliation of the extent to which the financial statements comply with another financial reporting framework, the auditor may consider this to be supplementary information that cannot be clearly differentiated from the financial statements. The auditor's opinion would also cover notes or supplementary schedules that are cross-referenced from the financial statements.

³⁰ ISA 200, paragraph A56

- When an additional profit and loss account that discloses specific items of expenditure is disclosed as a separate schedule included as an Appendix to the financial statements, the auditor may consider this to be supplementary information that can be clearly differentiated from the financial statements.

A80. Supplementary information that is covered by the auditor's opinion does not need to be specifically referred to in the auditor's report when the reference to the notes in the description of the statements that comprise the financial statements in the auditor's report is sufficient.

A81. Law or regulation may not require that the supplementary information be audited, and management may decide to ask the auditor not to include the supplementary information within the scope of the audit of the financial statements.

A82. The auditor's evaluation whether unaudited supplementary information is presented in a manner that could be construed as being covered by the auditor's opinion includes, for example, where that information is presented in relation to the financial statements and any audited supplementary information, and whether it is clearly labeled as "unaudited."

A83. Management could change the presentation of unaudited supplementary information that could be construed as being covered by the auditor's opinion, for example, by:

- Removing any cross-references from the financial statements to unaudited supplementary schedules or unaudited notes so that the demarcation between the audited and unaudited information is sufficiently clear.
- Placing the unaudited supplementary information outside of the financial statements or, if that is not possible in the circumstances, at a minimum placing the unaudited notes together at the end of the required notes to the financial statements and clearly labeling them as unaudited. Unaudited notes that are intermingled with the audited notes can be misinterpreted as being audited.

A84. The fact that supplementary information is unaudited does not relieve the auditor of the responsibilities described in [proposed] ISA 720 (Revised).

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Footnotes (AU-C Section 700 — Forming an Opinion and Reporting on Financial Statements):

[fn.1](#) See section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks*, for a definition of *special purpose framework*.

[fn.2](#) Paragraph .06 of section 810, *Engagements to Report on Summary Financial Statements*, defines the term *summary financial statements*.

[fn.3](#) See section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*, for a definition of *financial statements*.

[fn.4](#) Paragraph .14 of section 200 defines the term *historical financial information*.

[fn.5](#) See section 200 for a definition of *applicable financial reporting framework*.

[fn.6](#) Paragraph .28 of section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*.

[fn.7](#) Paragraph .11 of section 450, *Evaluation of Misstatements Identified During the Audit*.

[fn.8](#) See section 708, *Consistency of Financial Statements*.

[fn.9](#) Paragraphs .19–.20 of section 560, *Subsequent Events and Subsequently Discovered Facts*.

[fn.10](#) See section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*.

[fn.11](#) Paragraphs .12–.13 of section 510, *Opening Balances—Initial Audit Engagements, Including Reaudit Engagements*.

[fn.12](#) See section 706.

[fn.13](#) The appendix, "Qualitative Aspects of Accounting Practices," of section 260, *The Auditor's Communication With Those Charged With Governance*.

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[fn.14](#) Paragraphs .A2–.A3 of section 200.

[fn.15](#) Paragraphs .05 and .A2 of section 200.

[fn.16](#) Paragraph .22 of section 200.


[fn.17](#) See the AICPA Audit and Accounting Guide *State and Local Governments* for illustrative auditor reports.


[fn.18](#) See paragraphs .19 and .A17 of section 220, *Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*, for further discussion.



[fn.19](#) Paragraph .21 of section 220.

[fn.20](#) See the “Compliance With Standards Rule” (ET sec. 1.310.001), and appendix A, “Council Resolution Designating Bodies to Promulgate Technical Standards” (ET app. A). [Footnote added, effective for audits of financial statements for periods ending on or after June 15, 2016, by Statement on Auditing Standards No. 131.]



[fn.21](#) See Staff Question and Answer, *Audits of Financial Statements of Non-Issuers Performed Pursuant to the Standards of the Public Company Accounting Oversight Board* (AICPA, *PCAOB Standards and Related Rules*, PCAOB Staff Guidance, sec. 100.01), dated June 30, 2004. [Footnote added, effective for audits of financial statements for periods ending on or after June 15, 2016, by SAS No. 131.]


[fn.22](#) See  section 560. [Footnote renumbered by the issuance of Statement on Auditing Standards No. 131, January 2016.]


[fn.23](#)  Paragraph .33 of section 930, *Interim Financial Information*. [Footnote renumbered by the issuance of Statement on Auditing Standards No. 131, January 2016.]

[fn.24](#) See the AICPA Audit and Accounting Guides  *State and Local Governments* and  *Not-for-Profit Entities* for further guidance on reporting on summarized comparative financial information. [Footnote renumbered by the issuance of Statement on Auditing Standards No. 131, January 2016.]

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[fn.25](#)  Illustration 4, "An Auditor's Report on a Single Year Prepared in Accordance with Accounting Principles Generally Accepted in the United States of America When Comparative Summarized Financial Information for the Prior Year is Presented," of the  exhibit, "Illustrations of Auditor's Reports on Financial Statements." [Footnote renumbered by the issuance of Statement on Auditing Standards No. 131, January 2016.]

[fn.26](#) See  section 560. [Footnote renumbered by the issuance of Statement on Auditing Standards No. 131, January 2016.]

[fn.27](#) See  section 706. [Footnote renumbered by the issuance of Statement on Auditing Standards No. 131, January 2016.]

[fn.1](#) The subtitle "Report on the Financial Statements" is unnecessary in circumstances when the second subtitle, "Report on Other Legal and Regulatory Requirements," is not applicable.

[fn.2](#) In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the consolidated financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances." In addition, the next sentence, "Accordingly, we express no such opinion." would not be included.

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preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In addition, the next sentence, "Accordingly, we express no such opinion." would not be included.

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[fn2](#) In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In addition, the next sentence, "Accordingly, we express no such opinion." would not be included.

[fn1](#) The subtitle "Report on the Financial Statements" is unnecessary in circumstances when the second subtitle, "Report on Other Legal and Regulatory Requirements," is not applicable.

[fn2](#) In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In addition, the next sentence, "Accordingly, we express no such opinion." would not be included.

[fn1](#) A firm registered with the PCAOB may use the title "Report of Independent Registered Public Accounting Firm." [Footnote added, effective for audits of financial statements for periods ending on or after June 15, 2016, by Statement on Auditing Standards No. 131.]

[fn2](#) When the audit is also conducted in accordance with the other professional practice standards of the PCAOB, omit the word "auditing." [Footnote added, effective for audits of financial statements for periods ending on or after June 15, 2016, by Statement on Auditing Standards No. 131.]

[fn3](#) The last three sentences of this paragraph may be replaced with the following optional language to clarify that the audit performed did not require the level of testing and reporting on internal control over financial reporting required in an integrated audit.

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The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

[Footnote added, effective for audits of financial statements for periods ending on or after June 15, 2016, by Statement on Auditing Standards No. 131.]

