Standard

Audit and Assurance

Financial Reporting Council

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International Standard on Auditing (UK and Ireland) 700

The independent auditor's report on financial statements

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INTERNATIONAL STANDARD ON AUDITING (UK AND IRELAND) 700 (REVISED SEPTEMBER 2014)

THE INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

(Effective for audits of financial statements for periods commencing on or after 1 October 2014)

CONTENTS

International Standard on Auditing (UK and Ireland) (ISA (UK and Ireland) 700, ''The Independent Auditor's Report on Financial Statements (Revised September 2014)'' should be read in conjunction with ISA (UK and Ireland) 200, ''Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK and Ireland).''

NOTE: The FRC has not at this time adopted ISA 700 "Forming an Opinion and Reporting on Financial Statements". The FRC has instead issued ISA (UK and Ireland) 700 "The Independent Auditor's Report on Financial Statements (Revised September 2014)". The main effect of this is that the form of auditor's reports may not be exactly aligned with the precise format required by ISA 700 issued by the IAASB. However, ISA (UK and Ireland) 700 (Revised September 2014) has been drafted such that compliance with it will not preclude the auditor from being able to assert compliance with the ISAs issued by the IAASB.

Introduction

Scope of this ISA (UK and Ireland)

1. This International Standard on Auditing (UK and Ireland) (ISA (UK and Ireland)) establishes standards and provides guidance on the form and content of the auditor's report issued as a result of an audit performed by an independent auditor of the financial statements.

2. This ISA (UK and Ireland) is written to address both "true and fair frameworks[1]" and "compliance frameworks". A "true and fair framework" is one that requires compliance with the framework but which acknowledges that to achieve a true and fair view:

   (a) It may be necessary to provide disclosures additional to those specifically required by the framework[2]; and

   (b) It may be necessary to depart from a requirement of the framework[3].

   A "compliance framework" is one that requires compliance with the framework and does not contain the acknowledgements in (a) or (b) above.

3. Illustrative examples of auditor's reports tailored for use with audits conducted in accordance with ISAs (UK and Ireland) are provided in compendia Bulletins issued by the FRC[4]. Illustrative examples of auditor's reports on regulatory returns are provided in various Practice Notes issued by the FRC.

4. ISA (UK and Ireland) 705 and ISA (UK and Ireland) 706 deal with how the form and content of the auditor's report are affected when the auditor expresses a modified opinion or includes an Emphasis of Matter paragraph or an Other Matter paragraph in the auditor's report.

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1 True and fair frameworks are sometimes referred to as "fair presentation frameworks".

2 In the IFRS Framework this is acknowledged in paragraph 17(c) of IAS 1. In UK GAAP this is acknowledged in Sections 396(4) and 404(4) of the Companies Act 2006. Under Generally Accepted Accounting Practice in Ireland this is acknowledged, for example, in Section 3(c) of the Companies (Amendment) Act 1986 and Regulation 14 of the European Communities (Companies: Group Accounts) Regulations 1992.

3 This is sometimes referred to as the "true and fair override". In the IFRS Framework this is acknowledged in paragraph 19 of IAS 1. In UK GAAP this is acknowledged in Sections 396(5) and 404(5) of the Companies Act 2006. Under Generally Accepted Accounting Practice in Ireland this is acknowledged, for example, in Section 3(d) of the Companies (Amendment) Act 1986 and Regulation 14(3) of the European Communities (Companies: Group Accounts) Regulations 1992.

4 At the date of publication of this ISA (UK and Ireland), Bulletins 2010/2 (Revised) "Compendium of Illustrative Auditor's Reports on United Kingdom Private Sector Financial Statements for periods ended on or after 15 December 2010" and 1(I) "Compendium of Illustrative Auditor's Reports on Irish Financial Statements" were the current compendia Bulletins.

Status of this ISA (UK and Ireland)

5. Paragraph 43 of ISA 700, "Forming an opinion and reporting on financial statements," as issued by the IAASB specifies the minimum elements of auditor's reports where the regulation of a specific jurisdiction specify wording of the auditor's report. Reports prepared in accordance with ISA (UK and Ireland) 700 contain those minimum elements and consequently compliance with this ISA (UK and Ireland) does not preclude the auditor from being able to assert compliance with International Standards on Auditing issued by the IAASB.

Effective Date

6. This ISA (UK and Ireland) is effective for audits of financial statements for periods commencing on or after 1 October 2014.

Objectives

7. The objectives of the auditor are to:

   (a) Form an opinion on the financial statements based on an evaluation of the conclusions drawn from the audit evidence obtained; and

   (b) Express clearly that opinion through a written report that also describes the basis for the opinion.

Requirements

Forming an Opinion on the Financial Statements

8. The auditor's report on the financial statements shall contain a clear written expression of opinion on the financial statements taken as a whole, based on the auditor evaluating the conclusions drawn from the audit evidence obtained, including evaluating whether:

   (a) Sufficient appropriate audit evidence as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error has been obtained;

   (b) Uncorrected misstatements are material, individually or in aggregate. This evaluation shall include consideration of the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments; (Ref: Para. A1-A3)

   (c) In respect of a true and fair framework, the financial statements, including the related notes, give a true and fair view; and

(d) In respect of all frameworks the financial statements have been prepared in all material respects in accordance with the framework, including the requirements of applicable law.

9. In particular, the auditor shall evaluate whether:

(a) The financial statements adequately refer to or describe the relevant financial reporting framework;

(b) The financial statements adequately disclose the significant accounting policies selected and applied;

(c) The accounting policies selected and applied are consistent with the applicable financial reporting framework, and are appropriate in the circumstances;

(d) Accounting estimates are reasonable;

(e) The information presented in the financial statements is relevant, reliable, comparable and understandable;

(f) The financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements; and

(g) The terminology used in the financial statements, including the title of each financial statement, is appropriate.

10. With respect to compliance frameworks an unqualified opinion on the financial statements shall be expressed only when the auditor concludes that they have been prepared in accordance with the identified financial reporting framework, including the requirements of applicable law.

11. With respect to true and fair frameworks an unqualified opinion on the financial statements shall be expressed only when the auditor concludes that they have been prepared in accordance with the identified financial reporting framework, including the requirements of applicable law, and the financial statements give a true and fair view.

Auditor's Report

Title

12. The auditor's report shall have an appropriate title. (Ref: Para A4)

Addressee

13. The auditor's report shall be appropriately addressed as required by the circumstances of the engagement. (Ref: Para A5)

Introductory Paragraph

14. The auditor's report shall identify the financial statements of the entity that have been audited, including the date of, and period covered by, the financial statements.

Respective Responsibilities of Those Charged with Governance and Auditors

15. The auditor's report shall include a statement that those charged with governance are responsible for the preparation of the financial statements and a statement that the responsibility of the auditor is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and International Standards on Auditing (UK and Ireland). The report shall also state that those standards require the auditor to comply with the APB's Ethical Standards for Auditors. (Ref: Para A6 - A7)

Description of the Generic Scope of an Audit

16. The auditor's report shall include a description of the generic scope of an audit by either:

    (a) Cross referring to the applicable version of a "Statement of the Scope of an Audit" that is maintained on the FRC's web-site; or

    (b) Cross referring to a "Statement of the Scope of an Audit" that is included elsewhere within the Annual Report; or

    (c) Including verbatim within the report the following:

        "An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the *[describe nature of entity]* circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by *[describe those charged with governance]*; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the *[describe the annual report]* to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report." (Ref: Para A8 – A9)

Opinion on the Financial Statements

17. The opinion paragraph of the auditor's report shall clearly state the auditor's opinion as required by the relevant financial reporting framework used to prepare the financial statements, including applicable law.

18. When expressing an unqualified opinion on financial statements prepared in accordance with a true and fair framework the opinion paragraph shall clearly state that the financial statements give a true and fair view[5]. It is not sufficient for the auditor to conclude that the financial statements give a true and fair view solely on the basis that the financial statements were prepared in accordance with accounting standards and any other applicable legal requirements. (Ref: Para A10 – A12)

Opinion in Respect of an Additional Financial Reporting Framework

19. When an auditor is engaged to issue an opinion on the compliance of the financial statements with an additional financial reporting framework the second opinion shall be clearly separated from the first opinion on the financial statements, by use of an appropriate heading. (Ref: Para A13)

Entities that Report on Application of the UK Corporate Governance Code

19A. In the case of entities[6] that are required, and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code, or to explain why they have not, the auditor's report shall:

(a) Describe those assessed risks of material misstatement that were identified by the auditor and which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team;

(b) Provide an explanation of how the auditor applied the concept of materiality in planning and performing the audit. Such explanation shall specify the threshold used by the auditor as being materiality for the financial statements as a whole[7]; and

(c) Provide an overview of the scope of the audit[8], including an explanation of how such scope addressed the assessed risks of material misstatement disclosed in accordance with (a) and was influenced by the auditor's application of materiality disclosed in accordance with (b). (Ref. Para A13A – A13C)

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5 United Kingdom auditor's reports prepared in accordance with section 495(3) of the UK Companies Act 2006 will meet this requirement. Irish auditor's reports prepared in accordance with Section 193(4C) of the Irish Companies Act 1990 and, therefore, expressing an opinion in terms of "true and fair view, in accordance with the relevant financial reporting framework" also meets this requirement. This is supported by recital 10 of EU Directive 2003/51/EC which states "The fundamental requirement that an audit opinion states whether the annual or consolidated accounts give a true and fair view in accordance with the relevant financial reporting framework does not represent a restriction of the scope of that opinion but clarifies the context in which it is expressed".

6 In the UK, these include companies with a Premium listing of equity shares regardless of whether they are incorporated in the UK or elsewhere. In Ireland, these include Irish incorporated companies with a primary or secondary listing of equity shares on the Irish Stock Exchange.

7 As required by paragraph 10 of ISA (UK and Ireland) 320 "Materiality in Planning and Performing an Audit".

8 See also paragraphs 15 and A11 to A15 of ISA (UK and Ireland) 260 "Communication with Those Charged with Governance" and paragraph 49 of ISA (UK and Ireland) 600 "Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).

19B. In order to be useful to users of the financial statements, the explanations of the matters required to be set out in the auditor's report by paragraph 19A shall be described:

- So as to enable a user to understand their significance in the context of the audit of the financial statements as a whole and not as discrete opinions on separate elements of the financial statements.
- In a way that enables them to be related directly to the specific circumstances of the audited entity and are not, therefore, generic or abstract matters expressed in standardised language.
- In a manner that complements the description of significant issues relating to the financial statements, required to be set out in the separate section of the annual report describing the work of the audit committee in discharging its responsibilities[9]. The auditor seeks to coordinate descriptions of overlapping topics addressed in these communications, to avoid duplication of reporting about them, whilst having appropriate regard to the separate responsibilities of the auditor and the board for directly communicating information primarily in their respective domains.

Requirement Specific to Public Sector Entities where an Opinion on Regularity is Given.

20. The auditor shall address other reporting responsibilities in [a] separate section[s] of the auditor's report following the opinion[s] on the financial statements and, where there is one, the opinion on regularity. (Ref: Para A14)

Opinions on Other Matters

21. When the auditor addresses other reporting responsibilities within the auditor's report on the financial statements, the opinion arising from such other responsibilities shall be set out in a separate section of the auditor's report following the opinion[s] on the financial statements or, where there is one, the opinion on regularity. (Ref: Para A15 – A16)

22. If the auditor is required to report on certain matters by exception the auditor shall describe its responsibilities under the heading "Matters on which we are required to report by exception" and incorporate a suitable conclusion in respect of such matters. (Ref: Para A17 - A18)

22A. In the case of entities that are required[6], and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code or to explain why they have not, the auditor shall report by exception if, when reading the other financial and non-financial information included in the annual report, the auditor has identified information that is materially inconsistent with the information in the audited financial

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[9] In accordance with provision C.3.8 of the UK Corporate Governance Code.

statements or is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by the auditor in the course of performing the audit or that is otherwise misleading. (Ref: Para A18A)

22B. Matters that the auditor shall report on by exception in accordance with paragraph 22A include circumstances where the annual report includes:

(a) A statement given by the directors that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy, that is inconsistent with the knowledge acquired by the auditor in the course of performing the audit; or

(b) A section describing the work of the audit committee that does not appropriately address matters communicated by the auditor to the audit committee; or

(c) An explanation, as to why the annual report does not include such a statement or section, that is materially inconsistent with the knowledge acquired by the auditor in the course of performing the audit; or

(d) Other information that, in the auditor's judgment, contains a material inconsistency or a material misstatement of fact.

The auditor shall include a suitable conclusion on these matters in the auditor's report in accordance with paragraph 22 and, if applicable, shall describe why the auditor believes that any such statement, section, explanation or other information is materially inconsistent with the knowledge acquired by the auditor in the course of performing the audit or otherwise contains a material inconsistency or a material misstatement of fact. If a section of the annual report describing the work of the audit committee does not appropriately disclose any matters communicated by the auditor to the audit committee that in the auditor's judgment should have been disclosed, or if the annual report does not contain such a section, the auditor's report shall also include any such information.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

22C. In the case of entities that are required[6], and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code or to explain why they have not, the auditor shall, having regard to the work performed in accordance with the requirement of paragraph 17-2 of ISA (UK and Ireland) 570, give a statement as to whether the auditor has anything material to add or to draw attention to in relation to:

(a) The directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity,

(b) The disclosures in the annual report that describe those risks and explain how they are being managed or mitigated,

(c) The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements, and

(d) The director's explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Date of Report

23. The date of an auditor's report on a reporting entity's financial statements shall be the date on which the auditor signed the report expressing an opinion on those financial statements. (Ref. Para A19)

24. The auditor shall not sign, and hence date, the report earlier than the date on which all other information contained in a report of which the audited financial statements form a part have been approved by those charged with governance and the auditor has considered all necessary available evidence. (Ref. Para A20 – A23)

Location of Auditor's Office

25. The report shall name the location of the office where the auditor is based.

Auditor's Signature

26. The auditor's report shall state the name of the auditor and be signed and dated. (Ref. Para A24)

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Application and Other Explanatory Material

Qualitative Aspects of the Entity's Accounting Practices (Ref: Para 8)

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

A2. ISA (UK and Ireland) 260 contains a discussion of the qualitative aspects of accounting practices.[10] In considering the qualitative aspects of the entity's accounting practices, the auditor may become aware of possible bias in

[10] ISA (UK and Ireland) 260, "Communication with Those Charged with Governance," Appendix 2.

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 (UK and Ireland) 540 addresses possible management bias in making accounting estimates.[11] 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.

Auditor's Report

Title (Ref: Para 12)

A4. The term "Independent Auditor" is usually used in the title in order to distinguish the auditor's report from reports that might be issued by others, such as by those charged with governance, or from the reports of other auditors who may not have to comply with the APB's Ethical Standards for Auditors.

Addressee (Ref: Para 13)

A5. The Companies Acts[12] require the auditor to report to the company's members because the audit is undertaken on their behalf. Such auditor's reports are, therefore, typically addressed to either the members or the shareholders of the company. The auditor's report on financial statements of other types of reporting entity is addressed to the appropriate person or persons, as defined by statute or by the terms of the individual engagement.

Respective Responsibilities of Those Charged with Governance and Auditors (Ref: Para 15)

A6. An appreciation of the interrelationship between the responsibilities of those who prepare financial statements and those who audit them facilitates an understanding of the nature and context of the opinion expressed by the auditor.

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[11] ISA (UK and Ireland) 540, "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures," paragraph 21.

[12] In the United Kingdom the Companies Act 2006 establishes this requirement. In Ireland the Companies Acts 1963 to 2006 establish this requirement.

A7. The preparation of financial statements requires those charged with governance to make significant accounting estimates and judgments, as well as to determine the appropriate accounting principles and methods used in preparation of the financial statements. This determination will be made in the context of the financial reporting framework that those charged with governance choose, or are required, to use. In contrast, the auditor's responsibility is to audit the financial statements in order to express an opinion on them.

Description of the Generic Scope of an Audit (Ref: Para 16)

A8. The FRC maintains on its web-site generic descriptions of the scope of an audit of the financial statements of private sector entities[13]. These descriptions address the auditor's responsibilities under ISAs (UK and Ireland).

A9. Where the generic scope of the audit is described within the Annual Report but not in the auditor's report, such description includes the prescribed text set out in paragraph 16 (c). The content of the description of the generic scope of the audit is determined by the auditor regardless of whether it is incorporated into the auditor's report or published as a separate statement elsewhere in the annual report.

Opinion on the Financial Statements (Ref: Para 18)

A10. Although the "true and fair" concept has been central to accounting and auditing practice in the UK and Ireland for many years it is not defined in legislation. In 2008, the Financial Reporting Council published a legal opinion, that it had commissioned, entitled "The true and fair requirement revisited" (The Opinion)[14]. The Opinion confirms the overarching nature of the true and fair requirement to the preparation of financial statements in the United Kingdom, whether they are prepared in accordance with international or national accounting standards[15].

A11. The Opinion states that "The preparation of financial statements is not a mechanical process where compliance with relevant accounting standards will automatically ensure that those financial statements show a true and fair view, or a fair presentation. Such compliance may be highly likely to produce such an outcome; but it does not guarantee it".

A12. To advise the reader of the context in which the auditor's opinion is expressed, the auditor's opinion indicates the financial reporting framework upon which the financial statements are based. The financial reporting framework is normally one of:

- "International Financial Reporting Standards (IFRSs) as adopted by the European Union", and the national law that is applicable when using IFRSs

[13] The web-site reference relevant to the UK is www.frc.org.uk/auditscopeukprivate and the web-site reference relevant to Ireland is www.frc.org.uk/audit-scope-ireland.
[14] The opinion can be downloaded from the FRC web-site at http://www.frc.org.uk/about/trueandfair.cfm
[15] UK and Irish law differ but follow similar principles.

and, in the case of consolidated financial statements of publicly traded companies[16], Article 4 of the IAS Regulation (1606/2002/EC); or

- "Generally Accepted Accounting Practice in Ireland", which comprises applicable Irish law and accounting standards issued by the Financial Reporting Council (FRC) and promulgated by the Institute of Chartered Accountants in Ireland; or

- "UK Generally Accepted Accounting Practice", which comprises applicable UK law and UK Accounting Standards as issued by the FRC.

Opinion in Respect of an Additional Financial Reporting Framework (Ref: Para 19)

A13. The financial statements of some entities may comply with two financial reporting frameworks (for example "IFRSs as issued by the IASB" and "IFRSs as adopted by the European Union" and those charged with governance may engage the auditor to express an opinion in respect of both frameworks. Once the auditor is satisfied that there are no differences between the two financial reporting frameworks that affect the financial statements being reported on, the auditor states a second separate opinion with regard to the other financial reporting framework.

Entities that Report on Application of the UK Corporate Governance Code

A13A. Such assessed risks of material misstatement are likely to have been identified by the auditor in meeting the requirements of ISA (UK and Ireland) 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment"[17], including those relating to significant risks. However, the auditor uses its judgment to determine which, if any, of the significant risks and which, if any, of the other identified risks meet the criteria set out in paragraph 19A(a) and are to be described in the auditor's report. If the auditor significantly revises its risk assessment during the audit the auditor considers whether to disclose that fact and the circumstances giving rise to the changed assessment.

A13B. The explanation, of how the auditor applied the concept of materiality in planning and performing the audit, is tailored to the particular circumstances and complexity of the audit and, in addition to specifying the threshold used by the auditor as being materiality for the financial statements as a whole, might include, for example:

- Materiality level or levels for those classes of transactions, account balances or disclosures where such materiality levels are lower than materiality for the financial statements as a whole (as described in paragraph 10 of ISA (UK and Ireland) 320).

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[16] A publicly traded company is one whose securities are admitted to trading on a regulated market in any Member State in the European Union.

[17] The relevant section of the ISA (UK and Ireland) is "Identifying and Assessing the Risks of Material Misstatement" (paragraphs 25 to 31).

- Performance materiality (as described in paragraph 11 of ISA (UK and Ireland) 320).
- Any significant revisions of materiality thresholds that were made as the audit progressed.
- The threshold used for reporting unadjusted differences to the audit committee.
- Significant qualitative considerations relating to the auditor's evaluation of materiality.

A13C. The content of the overview of the scope of the audit is tailored to the particular circumstances of the audit and how the scope was influenced by the auditor's application of materiality and addressed the assessed risks of material misstatement described in the auditor's report. Such a summary might also include, for example:

- The coverage of revenue, total assets and profit before tax achieved.
- The coverage of revenue, total assets and profit before tax of reportable segments achieved.
- The number of locations visited by the auditor as a proportion of the total number of locations, and the rationale underlying any programme of visits.
- The effect of the group structure on the scope. The audit approach to a group consisting of autonomous subsidiary companies may differ from that applied to one which consists of a number of non-autonomous divisions.
- The nature and extent of the group auditor's involvement in the work of component auditors.

Requirement Specific to Public Sector Entities where an Opinion on Regularity is Given. (Ref: Para 20)

A14. For the audit of certain public sector entities the audit mandate may require the auditor to express an opinion on regularity[18]. Regularity is the requirement that financial transactions are in accordance with the legislation authorising them.

Opinion on Other Matters (Ref: Para 21 – 22B)

A15. The auditor sets out its opinion[s] on these other reporting responsibilities in [a] separate section[s] of the report in order to clearly distinguish it from the auditor's opinion[s] on the financial statements.

[18] Guidance for auditors of public sector bodies in the UK and Ireland is given in Practice Note 10 "Audit of Financial Statements of Public Sector Bodies in the United Kingdom (Revised)" and Practice Note 10 (I) "Audit of Central Government Financial Statements in the Republic of Ireland".

A16. Other reporting responsibilities may be determined by specific statutory requirements applicable to the reporting entity, or, in some circumstances, by the terms of the auditor's engagement[19]. Such matters may be required to be dealt with by either:

(a) a positive statement in the auditor's report; or

(b) by exception.

An example of (a) arises where the auditor of a company is required to state whether, in the auditor's opinion, the information given in the directors' report for the financial year for which the accounts are prepared is consistent with those accounts[20]. An example of (b) arises in the United Kingdom where company legislation requires the auditor of a company to report when a company has not maintained adequate accounting records[21]. An example of (b) arises in Ireland where company legislation requires the auditor to report when the disclosures of directors' remuneration and transactions specified by law are not made[22].

A17. Where the auditor has discharged such responsibilities and has nothing to report in respect of them, the conclusion could be expressed in the form of the following phrase: "We have nothing to report in respect of the following".

A18. Where the auditor expresses a modified conclusion in respect of other reporting responsibilities (including those on which they are required to report by exception) this may give rise to a modification of the auditor's opinion on the financial statements. For example, if adequate accounting records have not been maintained and as a result it proves impracticable for the auditor to obtain sufficient appropriate evidence concerning material matters in the financial statements, the auditor's report on the financial statements includes a qualified opinion or disclaimer of opinion arising from that limitation.[23]

A18A. For entities that apply the UK Corporate Governance Code, the directors are required to give a statement in the annual report that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy. Such entities are also required to include a separate section of the annual report that describes the work of the audit committee in discharging its responsibilities. This should include, inter alia, the significant issues that the audit committee considered in relation to the financial statements, including appropriate matters considered that were communicated to it by the auditor, and how these issues were addressed.

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[19] An example of a reporting responsibility determined by the terms of the auditor's engagement is where the directors of a listed company are required by the rules of a Listing Authority to ensure that the auditor reviews certain statements made by the directors before the annual report is published.

[20] In the UK section 496 of the Companies Act 2006 and in Ireland section 15 of Companies (Amendment Act) 1986.

[21] Section 498(2) of the Companies Act 2006

[22] Section 191(8) of the Companies Act 1963 and section 46 of the Companies Act 1990.

[23] International Standard on Auditing (UK and Ireland) 705 "Modifications to the opinion in the independent auditor's report" sets out the requirements relating to qualified opinions and disclaimer of opinions on financial statements.

Date of Report (Ref: Para 23 – 24)

A19. This informs the reader that the auditor has considered the effect on the financial statements and on the auditor's report of events and transactions of which the auditor became aware and that occurred up to that date.

A20. The auditor is not in a position to form the opinion until the financial statements (and any other information contained in a report of which the audited financial statements form a part) have been approved by those charged with governance and the auditor has completed the assessment of all the evidence the auditor considers necessary for the opinion or opinions to be given in the auditor's report. This assessment includes events occurring up to the date the opinion is expressed. The auditor, therefore, plans the conduct of the audit to take account of the need to ensure, before expressing an opinion on financial statements, that those charged with governance have approved the financial statements and any accompanying other information and that the auditor has completed a sufficient review of post balance sheet events.

A21. The date of the auditor's report is, therefore, the date on which the auditor signs the auditor's report expressing an opinion on the financial statements for distribution with those financial statements, following:

(a) Receipt of the financial statements and accompanying documents in the form approved by those charged with governance for release;

(b) Review of all documents which the auditor is required to consider in addition to the financial statements (for example the directors' report, chairman's statement or other review of an entity's affairs which will accompany the financial statements): and

(c) Completion of all procedures necessary to form an opinion on the financial statements (and any other opinions required by law or regulation) including a review of post balance sheet events,

A22. The form of the financial statements and other information approved by those charged with governance, and considered by the auditor when signing a report expressing the auditor's opinion, may be in the form of final drafts from which printed documents will be prepared. Subsequent production of printed copies of the financial statements and the auditor's report does not constitute the creation of a new document. Copies of the report produced for circulation to shareholders or others may, therefore, reproduce a printed version of the auditor's signature showing the date of actual signature.

A23. If the date on which the auditor signs the report is later than that on which those charged with governance approved the financial statements, the auditor takes such steps as are appropriate:

(a) To obtain assurance that those charged with governance would have approved the financial statements on that later date (for example, by obtaining confirmation from specified individual members of the Board to whom authority has been delegated for this purpose); and

(b) To ensure that its procedures for reviewing subsequent events cover the period up to that date.

Auditor's Signature (Ref: Para 26)

A24. The report is signed in the name of the audit firm, the personal name of the auditor or both, as required by law. In the case of a UK company and certain other entities UK law requires:

(a) where the auditor is an individual that the report is signed by the individual; or

(b) where the auditor is a firm that the report is signed by the senior statutory auditor[24] in his or her own name, for and on behalf of the auditor.

In the case of an Irish company and certain other entities Irish law requires:

- where the auditor is a statutory auditor (a natural person) that the report is signed by that person; or
- where the auditor is a statutory audit firm:
  - that the report is signed by the statutory auditor designated by the statutory audit firm as being primarily responsible for carrying out the statutory audit on behalf of the audit firm; or
  - in the case of a group audit at least the statutory auditor designated by the statutory audit firm as being primarily responsible for carrying out the statutory audit at the level of the group;

in his or her own name, for and on behalf of, the audit firm[25].

[24] See Bulletin 2008/6 "The "Senior Statutory Auditor" under the United Kingdom Companies Act 2006". That Bulletin at paragraphs 8-10 also explains the meaning of "signing the auditor's report" in a UK context.
[25] See Statutory Instrument 220 of 2010.

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