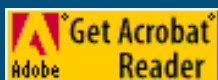


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 Jim Sylph, +1-212-286-9348  
 Alta Prinsloo, +1-212-286-9542

### IAASB Proposes New Standards And Guidance Changing Auditor's Report and Clarifying Auditor Responsibilities on Group Audits

(New York/December 22, 2003) -- As part of its ongoing commitment to contribute to the improvement of audit quality worldwide, the International Federation of Accountant's (IFAC) International Auditing and Assurance Standards Board (IAASB) has issued the following new exposure drafts (EDs) addressing issues pertaining to the auditor's report and group audits:

- [Proposed Revised International Standard on Auditing \(ISA\) 700, The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements;](#)
- [Proposed Revised ISA 600, The Work of Related Auditors and Other Auditors in the Audit of Group Financial Statements; and proposed new International Auditing Practice Statement \(IAPS\), The Audit of Group Financial Statements.](#)

The proposed guidance is intended to enhance current procedures and promote consistent practices by auditors worldwide.

#### The Auditor's Report

The ED on the auditor's report proposes significant changes to the wording of the auditor's report on a complete set of general purpose financial statements. Significant changes include:

- Introducing guidance on matters the auditor considers in forming the audit opinion including a requirement that the

- auditor reflects, at the end of the audit process, on the fair presentation of the financial statements as a whole;
- Clarifying the auditor's responsibilities with respect to management's identification of an applicable reporting framework; and
  - Requiring that reference to compliance with ISAs in the auditor's report is based on the auditor ensuring that the report includes all ISA reporting elements.

The proposed wording of the auditor's report includes:

- A better explanation of the responsibilities of the auditor and management, including respective responsibilities for internal control, accounting policies and estimates;
- An updated description of the audit process to reflect the new audit risk standards; and
- An explanation of the limitations of the auditor's consideration of internal control in a financial statement audit.

In addition, the IAASB proposes conforming changes to ISA 200, *Objective and General Principles Governing an Audit of Financial Statements*, ISA 210, *Terms of Audit Engagements*, ISA 560, *Subsequent Events*, ISA 701, *Modifications to the Independent Auditor's Report*, and ISA 800, *The Independent Auditor's Report on Special Purpose Audit Engagements*.

### **Audit of Group Financial Statements**

"The changes to the ISA on group audits will, in some cases, extend current audit procedures," emphasizes IAASB Chair Dietz Mertin. Significant changes include:

- Applying the new audit risk standards to an audit of group financial statements;
- Recognizing the differences that exist when the other auditor is related to the group auditor through a firm operating under common quality control policies;
- Discussing the group auditor's responsibility to access relevant information; and
- Providing guidance on determining the adequacy of the other auditor's work.

"Division of responsibility" is retained as an alternative approach to "sole responsibility," but only in those situations when national standards enable and national law or regulation permits it.

In addition to the proposed standard, the IAASB is proposing a new IAPS that sets out practical assistance on how the standard, along with other ISAs, would be applied when the group auditor takes sole responsibility for the audit opinion on the group financial statements.

### **Effective Dates**

It is proposed that the new standards be applicable for audits of financial statements for periods beginning on or after December 15, 2004.

### **How to Comment**

Comments on the EDs are requested by March 31, 2004. The documents may be viewed by going to [www.ifac.org/EDs](http://www.ifac.org/EDs). A commentator's guide is provided to assist individuals in responding to the EDs. Comments may be submitted to [EDComments@ifac.org](mailto:EDComments@ifac.org). They can also be faxed to the attention of the IAASB Technical Director at +1-212-286-9570 or mailed to the IAASB Technical Director at 545 Fifth Avenue, NY, NY 10017, USA. All comments will be considered a matter of public record and will ultimately be posted on IFAC's website.

The IAASB's role is to improve auditing and assurance standards and the quality and uniformity of practice throughout the world, thereby strengthening public confidence in the global auditing profession.

In addition to developing auditing standards through the IAASB, IFAC also develops education, ethics, and public sector accounting standards. IFAC is dedicated to serving the public interest, strengthening the worldwide accountancy profession, and contributing to the development of strong international economies. Its current membership consists of 159 professional accountancy bodies in 118 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce.

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**IFAC | 545 Fifth Avenue, 14th Floor | New York, NY 10017 | V: +1 (212) 286-9344 | F: +1 (212) 286-9570**