

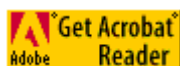
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IAASB Issues New Standard for the Form of an Auditor's Report and Addresses Issues of International Comparability

(New York/December 28, 2004) -- To enhance the transparency and comparability of auditor's reports across international borders, the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) has issued an International Standard on Auditing (ISA) that establishes a new form of auditor's report. The updated standard, [ISA 700, The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements](#), sets out a framework to separate audit reporting requirements in connection with an ISA audit from additional supplementary reporting responsibilities required in some jurisdictions.

The standard also sets out clear guidance to the auditor in those circumstances when the audit is conducted in accordance with both ISAs and the auditing standards of a specific jurisdiction, and in particular on preparing an auditor's report to meet both the report structure required by the national jurisdiction and the requirements of the ISA. "The European Commission asked the IAASB to look at this project as a matter of urgency to contribute to harmonized audit reporting within the EU. Many EU and other countries require the auditor to report on matters additional to the financial statements, but these requirements differ between countries. Our solution is to require a two-part report: the first deals with the financial statements, and should be essentially the same for all audits conducted in accordance with ISAs; the second deals with any further matters that may be required by local regulations. We thereby require comparability where it matters, while allowing appropriate flexibility to deal with local circumstances," explains IAASB Chairman John Kellas.

"While the IAASB's consideration of the auditor's report did not otherwise entail a fundamental reconsideration of the approach to reporting, the IAASB took the opportunity to update and strengthen the requirements of the standard. In particular, new guidance is given on the auditor's consideration of whether an accounting framework is acceptable, and on the need for the auditor to consider whether the financial statements are misleading even when they comply in all respects with that framework." The new wording for the auditor's report includes:

- Better explanations of the respective responsibilities of

- management and the auditor;
- An updated description of the audit process to reflect the new IAASB Audit Risk Standards; and
- Clarification of the scope of the auditor's responsibilities with respect to internal control.

The revision of ISA 700 also gave rise to conforming amendments to the following standards:

- 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*.

The new form of the report is to be applied for auditor's reports dated on or after December 31, 2006. Conforming amendments to other ISAs are applicable for audits of financial statements for periods beginning on or after December 15, 2005. The IAASB has not allowed for early application of the new report wording to prevent confusion that might arise if both the old and new forms of report were being used at the same time. ISA 701 is a new standard that includes material on modified auditor's reports (i.e., those including an emphasis of matter, or an opinion that is other than unqualified) previously included in ISA 700. The IAASB is currently reviewing ISA 701 and ISA 800, and expects to issue proposed revised standards during 2005. It is not anticipated that any changes to the new ISA 700 will result from this exercise.

The new ISA 700 and all conforming amendments to other standards can be viewed and downloaded by going to www.ifac.org/store/IAASB. For more information about this and other IAASB projects, visit the IAASB website at www.ifac.org/IAASB.

About IAASB and IFAC

The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB is part of the International Federation of Accountants (IFAC), which 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 over 160 professional accountancy bodies in 119 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce. In addition to setting international auditing and assurance standards through the IAASB, IFAC sets ethics, education, and public sector accounting standards.

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