



## **AASC Alert**

**Series 001 of 2017**

**January 2017**

### **Questions and Answers (Q&A) on the New Auditor's Report**

*This Alert has been prepared by the AASC as a guidance to public practitioners in the Philippines in implementing the new auditor reporting standards. Further, this Alert is not meant to be exhaustive and reading this Alert is not a substitute for reading the PSAs.*

*Appendix A and Appendix B are included in this Alert to provide illustrations of the new auditor's report for a non-listed entity and a listed entity. For additional guidance, please refer to the IAASB reference materials enumerated in Q&A No. 10 below.*

#### **New and Revised PSAs**

**1. What are the new and revised auditor reporting standards that become effective for periods ended on or after December 15, 2016 and the changes thereto?**

The new and revised auditor reporting standards are as follows:

- PSA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*
- PSA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*
- PSA 260 (Revised), *Communication with Those Charged with Governance*
- PSA 570 (Revised), *Going Concern*
- PSA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*
- PSA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- PSA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

The table below provides the description of the changes to the above new and revised standards.

New and Revised PSAs	Description of Changes
PSA 700 (Revised), <i>Forming an Opinion and Reporting on Financial Statements</i>	This is the overarching standard for auditor reporting in accordance with the PSAs and includes the required elements of the auditor's report, and specifies the contents of the sections for the opinion, basis for opinion, management responsibilities and auditor responsibilities - see table below for a summary of the key changes.
PSA 701 <i>Communicating Key Audit Matters in the Independent Auditor's Report</i>	New standard to establish requirements and guidance for the auditor's determination and communication of key audit matters. Key audit matters, which are selected from matters communicated to those charged with governance, are required to be communicated in auditor's reports for audits of financial statements of listed entities.
PSA 260 (Revised), <i>Communication with Those Charged with Governance</i>	Amendments to the required auditor communications with those charged with governance to include: <ul style="list-style-type: none"> <li>• the significant risks identified by the auditor, in light of the PSA 701; and</li> <li>• circumstances that affect the form and content of the auditor's report.</li> </ul> These amendments have been made to align with the factors the auditor considers in determining key audit matters for listed entities. However, the changes will apply to all audits.
PSA 570 (Revised), <i>Going Concern</i>	Amendments to establish auditor reporting requirements relating to going concern, and to illustrate this reporting within the auditor's report in different circumstances. Also if events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but the auditor concludes that no material uncertainty exists, new requirement to evaluate the adequacy of disclosure about these events or conditions with respect to the requirements of the applicable financial reporting framework.
PSA 705 (Revised), <i>Modifications to the Opinion in the Independent Auditor's Report</i>	Amendments to clarify how the new required reporting elements of PSA 700 (Revised) are affected when the auditor expresses a modified opinion, and to update the illustrative auditor's reports accordingly.
PSA 706 (Revised), <i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report</i>	Amendments to clarify the relationship between 'emphasis of matter' paragraphs, 'other matter' paragraphs and the key audit matters section of the auditor's report.
PSA 720 (Revised), <i>The Auditor's Responsibilities Relating to Other Information</i>	Amendments to clarify the auditor's responsibilities with respect to other information and they introduce a requirement for the auditor to include a statement in the auditor's report with respect to work performed over other information.

## 2. What are the key changes in the new auditor’s report relevant to listed and non-listed entities?

The table below summarizes the key changes in the new auditor’s report relevant to listed and non-listed entities. The ✓ means that the requirement is applicable while x signifies non-applicability of the requirement.

	Listed entities	Non-listed entities
Opinion section required to be presented first, followed by the Basis for Opinion section	✓	✓
Enhanced auditor reporting on going concern, including: <ul style="list-style-type: none"> <li>• Description of the respective responsibilities of management and the auditor for going concern</li> <li>• A separate section when a material uncertainty exists and is adequately disclosed, under the heading “Material Uncertainty Related to Going Concern” (See note 1 below.)</li> </ul>	✓	✓
Affirmative statement about the auditor’s independence and fulfillment of relevant ethical responsibilities	✓	✓
Enhanced description of the auditor’s responsibilities and key features of an audit	✓	✓
New and revised reporting requirements relating to other information that is included in an entity’s annual report	✓	✓
New section to communicate Key Audit Matters (KAM). KAM are those matters that, in the auditor’s judgment, were of most significance in the audit of the current period financial statements (See note 2 below.)	✓	✗
Statement of the name of the engagement partner on the audit that resulted in the auditor’s report (See note 3 below.)	✓	✗

Notes:

1. Previously, when a material uncertainty exists, information about such fact is provided under emphasis of matter paragraph of the auditor’s report pursuant to SEC’s SRC Rule 68, As Amended. With the recent adoption by the SEC of the above new and revised auditor reporting standards, the latter should prevail. Thus, a separate section should be provided “Material Uncertainty Related to Going Concern” instead of an emphasis of matter paragraph.
2. While KAM are mandatory to be communicated in the auditor’s reports for audits of financial statements of listed entities, the auditor, under certain circumstances, may also decide to communicate KAM for non-listed entities.
3. The name of the engagement partner shall be included in the auditor’s report on financial statements of listed entities as illustrated in the following:

“The engagement partner on the audit resulting in this independent auditor’s report is [name].”

## Reference to Relevant Ethical Requirements in the Basis for Opinion Section

- 3. In our jurisdiction, the Professional Regulatory Board of Accountancy has adopted the 2013 IFAC Code of Ethics for Professional Accountants as the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) to provide the ethical requirements in the conduct of audit engagement. Likewise, certain regulators such as the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP), Insurance Commission (IC) prescribe specific independence requirements for auditors. How should the auditor reference the Code of Ethics and other regulatory requirements in its affirmative statement of independence and fulfillment of relevant ethical responsibilities in the auditor’s report?**

The Appendix of PSA 700 provides various illustrations of independent auditor’s reports on financial statements. Illustration 1 assumed the circumstance where the relevant ethical requirements that apply to the audit comprise the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants together with the ethical requirements relating to the audit in the jurisdiction, and the auditor refers to both.

Under illustration 1, the auditor’s affirmative statement of compliance and fulfillment of relevant ethical responsibilities follows:

*“...We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code...”*

Using the above Illustration 1 of PSA 700, the auditor’s report shall read as follows:

*“.....We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics...”*

## Key Audit Matters (KAM)

- 4. Do KAM apply to audits of public companies which are defined in Securities Regulation Code (SRC) Rule 68, As Amended, Part I (3)(B)(a)(c) as entities with assets of at least Php50 million and have two hundred (200) or more holders each holding at least one hundred (100) shares of a class of its equity securities?**

No. Paragraph 5 of PSA 701 states that KAM apply to audits of complete sets of general purpose financial statements of listed entities. “Listed entities” is defined under the Philippine Standard on Quality Control 1 and the Code of Ethics as “an entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body. Accordingly, KAM are required only for audit of listed entities whose shares or debt are quoted or listed with the recognized stock exchange or equivalent body such as the Philippine Stock Exchange (PSE) and the Philippine Dealing and Exchange Corp.

For audits of entities whose equity or debt securities have been delisted as of the end of the reporting period, KAM no longer apply.

**5. When the auditor is required to communicate KAM in respect of the audit of the consolidated financial statements, and the auditor is also required to express an audit opinion on the separate financial statements of the parent or holding company (hereinafter referred to as separate financial statements), is the auditor also required to communicate KAM in respect of the audit of the separate financial statements?**

In the context of our local jurisdiction's circumstances as described in the succeeding paragraph, the requirement of communicating of KAM is met when it is provided in the auditor's report covering audits of consolidated financial statements of listed entities. Thus, the auditor need not communicate KAM in respect of the audit of separate financial statements.

In the Philippines, in accordance with PFRS 10, *Consolidated Financial Statements*, paragraph 4, an entity that is a parent shall present consolidated financial statements. Accordingly, listed entities which are parent companies file consolidated financial statements with the PSE and the SEC. The SEC Forms 20-IS and 17-A filed with the SEC include the consolidated financial statements. Also, for purposes of the Annual Report which are distributed to the stockholders, the financial statements included are the consolidated financial statements. On the other hand, the Tax Code requires entities that meet the prescribed threshold to file income tax return (ITR) accompanied by audited financial statements. Since Section 52 (A) of the Tax Code requires the ITR to be prepared on a per legal entity basis, entities prepare separate financial statements to be attached to the ITR to comply with the BIR's requirements.

In the case of financial institutions which are regulated by the BSP, Section X190 of the Manual of Regulations for Banks requires that the audited financial statements of banks with subsidiaries shall be presented side-by-side on a solo basis (parent) and on a consolidated basis (parent and subsidiaries). Accordingly, the auditor's report covers the audit of both the separate and consolidated financial statements in a single report. In accordance with the IAASB Auditor Reporting: Frequently Asked Questions, the auditor's report on the financial statements of the listed banks which are parent companies shall include KAM for the audits of both the separate and the consolidated financial statements.

**6. In describing the procedures performed to address the KAM for group audits, may the group auditor include the procedures performed by the component team?**

Yes. As provided by PSA 600, the group audit opinion is the responsibility of the group auditor even if the component auditors may perform work on the financial information of the components for the group audit. The group auditor is responsible for the direction, supervision and performance of the group audit engagement.

**Other Information**

**7. What constitutes "Other Information" under our local jurisdiction?**

PSA 720 defined other information as financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report. Annual report as defined by PSA 720 is a document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements.

In the Philippines, the annual financial statements of the listed companies are included in the following documents:

- SEC Form 20-IS (Definitive Information Statement) - This form is used in connection with every annual or other meeting of stockholders, by an issuer, which is subject to the reporting requirements of Section 17 of the SRC, to notify its shareholders who are entitled to vote or give an authorization or consent to any matter to be acted upon.
- SEC Form 17-A - This form is used for annual reports filed pursuant to Section 17 of the SRC and paragraph (1)(A) of SRC Rule 17.1 thereunder.
- Annual Report - This report is distributed to the stockholders on or before the stockholder's meeting to provide information regarding the entity's operation and its financial information.

The purpose of the foregoing documents is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position. Accordingly, these documents met the definition of other information provided by PSA 720.

- 8. Given the other information identified in item 7 above, how should the Other Information section be presented where the auditor has obtained no other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report?**

*“Other Information*

*Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 20X1, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 20X1 are expected to be available to us after the date of this auditor's report.*

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

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

## **Illustrations of the New Auditor's Report and IAASB Reference Materials**

### **9. Provide illustrations of the new auditor's report.**

The Appendix section of PSAs 700, 705, 706 and 720 provide various illustrations of independent auditor's reports on financial statements. The following appendices are included in this AASC Alert to provide illustrations of the new auditor's report for a non-listed entity and a listed entity.

- Appendix A: Illustrative Independent Auditor's Report on Financial Statements of an Entity Other than a Listed Entity Prepared in Accordance with a Fair Presentation Framework
- Appendix B: Illustrative Independent Auditor's Report on Financial Statements of a Listed Entity Prepared in Accordance with a Fair Presentation Framework

### **10. Provide other reference materials on the new auditor's report.**

The following are the relevant reference materials of the IAASB:

- The New Auditor's Report: Greater Transparency into the Financial Statement Audit
- New and Revised Auditor Reporting Standards and Related Conforming Amendments – At a Glance
- Auditor Reporting - Key Audit Matters
- Determining and Communicating Key Audit Matter
- Auditor Reporting - Illustrative Key Audit Matters
- Auditor Reporting on Going Concern
- IAASB Auditor Reporting: Frequently Asked Questions – November 2016

## **Appendix A:**

### **Illustrative Independent Auditor's Report on Financial Statements of an Entity Other than a Listed Entity Prepared in Accordance with a Fair Presentation Framework**

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

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. **The audit is not a group audit** (i.e., PSA 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with PFRSs (a general purpose framework).
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in PSA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- *The Code of Ethics for Professional Accountants in the Philippines* together with the ethical requirements that are relevant to the audit of the financial statements in the Philippines comprise all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with PSA 570 (Revised).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with PSA 701.
- Other information is not relevant/not applicable.
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders (or Other Appropriate Addressee)  
Name of Company

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of [name of company] (“the Company”), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### *Basis for Opinion*

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

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### *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 PSAs 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.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.
- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

We communicate 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 we identify during our audit.

## **Report on Other Legal and Regulatory Requirements**

*[The form and content of this section of the auditor's report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards.]*

...

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

[Auditor Address]

[Date of the Auditor's Report]

## **Appendix B:**

### **Illustrative Independent Auditor's Report on Financial Statements of a Listed Entity Prepared in Accordance with a Fair Presentation Framework**

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

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework. **The audit is not a group audit** (i.e., PSA 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with PFRSs (a general purpose framework).
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in PSA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- *The Code of Ethics for Professional Accountants in the Philippines* together with the ethical requirements that are relevant to the audit of the financial statements in the Philippines comprise all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with PSA 570 (Revised).
- Key audit matters have been communicated in accordance with PSA 701.
- The auditor has obtained no other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report.
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders (or Other Appropriate Addressee)  
Name of Company

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of [name of company] (“the Company”), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016, in accordance with Philippine Financial Reporting Standards (PFRSs).

#### *Basis for Opinion*

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

#### *Key Audit Matters*

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

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

#### *Key Audit Matter 1*

##### *The risk*

...

##### *Our response*

...

## *Key Audit Matter 2*

### *The risk*

...

### *Our response*

...

## *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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

## *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## *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 PSAs 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.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.
- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

We communicate 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 we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine 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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

*[The form and content of this section of the auditor's report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards.]*

...

The engagement partner on the audit resulting in this independent auditor's report is [name].

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

[Auditor Address]

[Date of the Auditor's Report]