

auditor's report revised

Massimo Laudato looks at the main changes to ISA 700.

■ In March 2009 the Auditing Practices Board (APB) issued a revision of ISA (UK and Ireland) 700 'The Auditor's Report on financial statements' aimed at producing more concise and more informative reports.

Although the revised ISA 700 includes some examples of auditor's reports, the main source of reference for the new format reports is APB's Bulletin 2009/02 'Auditor's reports on Financial Statements in the United Kingdom'. The bulletin was published late in April 2009 and includes a number of reports suitable to various situations. The examples published in the bulletin cover, among others, auditor's reports for companies applying the FRSE, reports for companies, both publicly traded or not, that apply UK GAAPs or IFRSs, group accounts reports and reports modified with an emphasis of matter, including going concern, or with a qualified audit opinion, as well as a report with a modified opinion about the inconsistency of the director's report with the accounts.

The revised ISA 700 and the new format reports are applicable for UK companies, except charitable ones, in respect of accounting periods beginning on or after 6 April 2008 and ending on or after 5 April 2009. That effectively means that longer accounting periods beginning before 6 April 2008 but ending after 5 April 2009 are excluded, with the applicable examples still contained in the old APB's Bulletin 2006/6. Similarly shorter accounting periods beginning after 6 April 2008 but ending before 5 April 2009 are excluded and reference should be made to guidance and examples included in APB's Bulletin 2008/8 'Auditor's Reports for Short Accounting Periods in Compliance with the United Kingdom Companies Act 2006'. The revised standard and new format reports will be applicable to all

other UK entities for periods ending on or after 15 December 2010.

The revised ISA 700 has introduced various changes to the previous format to enable auditors to produce shorter reports. Firstly the description of the auditor's responsibilities in the first part has been both reduced in length and in part redistributed to the second part of the report that addresses other reporting matters.

Overall the main change relates to the 'basis of opinion' section. The revised ISA changes the heading of this section to 'Scope of the audit' and allows three alternatives. In the case of UK companies, the report can:

- cross refer to a 'Statement of the Scope of an Audit' that is maintained on APB's website or
- cross refer to a 'Statement of the Scope of an Audit' that is included elsewhere within the Annual Report or
- include a prescribed description of the scope of an audit that is shorter than that previously included in the old basis of opinion paragraph.

The statement of the scope of an audit can be accessed from APB's website at www.frc.org.uk/apb/index.cfm

The auditor's opinion in the second part of the new format report has also been split into the opinion on the financial statements, about the true and fair view and compliance with the relevant accounting framework and Companies Act, and into the opinion on other matters prescribed by Companies Act 2006, such as consistency of the information in the director's report with the accounts.

At the end of the report a new paragraph has been included about matters on which the auditor is required to report on an exception basis. Such matters include Companies

Act requirements, such as the keeping of accounting records, the agreement of the accounting records with the accounts, the receipt of all the information and explanations required for the audit and certain disclosures of directors' remuneration, and Listing Rules requirements.

Revised ISA (UK and Ireland) 700 and APB's Bulletin 2009/2 can be downloaded from APB's website at www.frc.org.uk/apb/publications.

APB publishes illustrative examples of Charity Auditor Reports for 31 March 2009 year ends

Bulletin 2009/1 'The Auditor's Reports - Supplementary Guidance for Auditors of Charities with 31 March 2009 year ends' issued by the Auditing Practices Board (APB) supplements the guidance contained in Practice Note 11: 'The Audit of Charities in the UK' by providing illustrative examples of auditor's reports for charities that are registered in England and Wales, in Scotland and in both jurisdictions.

The example reports included in the bulletin are targeted at charities with 31 March 2009 year ends and are based on the Companies Act 1985. Specifically the bulletin's examples are applicable for accounting periods beginning on or after 1 April 2008 but before 6 April 2008, the latter being the date when the Companies Act 2006 becomes applicable. The APB will update the bulletin later in 2009 for accounting periods beginning on or after 6 April 2008.

The Bulletin may be downloaded from the publications section of the APB's website at www.frc.org.uk/apb/publications/pub1891.html. ■

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