DOWNLOAD PDF AUDITORS REPORTS ON FINANCIAL STATEMENTS.

Chapter 1 : United Nations Board of Auditors

Reports on Audited Financial Statements The report may be addressed to the company whose ï¬•nancial state- ments are being audited or to its board of directors or stockholders.

Certain required disclosures have been presented elsewhere in the Report of the Remunerations Committee, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit approach As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. Key audit matters Key audit matters are those matters that, in our professional judgement, 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. The Group is subject to a number of legal claims from policyholders in relation to the performance of assets linked to contracts and other asset-related issues. Management evaluate each claim, taking into consideration the assessment and advice of external legal counsel. This is on the basis that the Group does not provide investment advice and that any investment advice received by the policyholder would have been provided by a professional intermediary appointed by the policyholder. Based on legal advice management and the Directors believe that the Group has strong defences and is more likely than not to be successful in contesting all such legal claims. On the basis of the above assessment the legal claims are disclosed as contingent liabilities in the financial statements and no amounts have been provided for. As a result, this judgement was a key audit matter. We obtained a listing of ongoing legal claims from the Group. To assess the completeness of the listing we have performed procedures including, reviewing the legal expenses ledgers, minutes of meetings, the complaints register and regulatory correspondence. The Group engages external legal counsel to advise and assist in the defence of the claims. We understood the status of the claims through discussions with management and the Directors. We challenged the judgements regarding whether the Group was more likely than not to be successful in contesting the legal claims. The Group earns fees and charges on investment contracts. Determining revenue for the year can be complex where the fee calculation includes judgement or a high degree of manual preparation together with the related expenses. We focussed on areas of revenue where the recognition can be judgemental. These areas relate to the estimated average contract lives over which upfront fees and origination costs are deferred and revenue is earned and expenses recognised. We independently assessed the judgements relating to the determination of the expected contract lives and hence the reasonableness of the amortisation period over which upfront fees and origination costs are deferred and recognised as revenue and expenses. For fees which are calculated by the actuarial function, we independently re-calculated a sample of fees based on the underlying policy information. We noted no material exceptions in our testing and concluded that the judgements applied by management and the Directors were supported by the evidence available. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. Responsibilities of the directors for the financial statements The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and Isle of Man law, for the group and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. 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. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors. However, future events or conditions may cause the Group 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. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion. We communicate with the directors 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 the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the directors, 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 do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing. Report on other legal and regulatory requirements Adequacy of accounting records and information and explanations received Under the Isle of Man Companies Acts to we are required to report to you by exception if, in our opinion: Under the Listing Rules we are required to review: We have no exceptions to report arising from these responsibilities. Other matter We have reported separately on the parent company financial statements of Hansard Global plc for the year ended 30 June

Chapter 2 : Auditor's report - Wikipedia

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report.

In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Pursuant to Section 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The Financial Statement Risk Level 3 financial instruments consist of financial assets and liabilities. By definition, market prices are not observable for the valuation of these financial instruments. The fair values are therefore to be determined on the basis of accepted valuation methods. These valuation methods may consist of complex models and can include assumptions and estimates over unobservable inputs which require judgment. The financial statement risk arises particularly with respect to complex valuation models or unobservable valuation parameters that are used in determining fair values leading to level 3 financial instruments not being in accordance with accounting principles. Our Audit Approach To determine our audit approach, we initially evaluated the general suitability and the potential for misstatements in models and parameters including unobservable inputs and, where applicable, associated valuation adjustments used for the valuation of level 3 financial instruments. Based on our risk assessment, we established an audit approach including control and substantive testing. We also made use of KPMG-internal valuation specialists as needed. Audit procedures included but were not limited to controls over: Where we had findings regarding design or effectiveness of controls, we tested additional compensating controls. We considered our audit results when designing nature and scope of additional substantive audit procedures. We performed substantive procedures on a risk-based sample of level 3 financial instruments. These include in particular: Our Observations Based on the results of our key controls testing and substantive audit procedures, we consider models and related parameters used for valuing level 3 financial instruments to be reasonable. Loan Loss Allowances in Credit Portfolios of certain Industries For a qualitative and quantitative description of the management of credit risks, including the valuation of loans, we refer to the Risk Report section in the group management report. For information on loans and allowance levels, we refer to notes 19 and 20 of the consolidated financial statements. The financial statement risk arises particularly from estimation uncertainties in the calculation of individually assessed loan loss allowance which are, especially in these industries, based upon judgmental assumptions and scenarios i. Our Audit Approach In order to perform a risk assessment and to plan our audit procedures, we conducted a portfolio analysis to assess the inherent valuation risks and to identify higher-risk industries. In our controls testing, we evaluated design, implementation and operating effectiveness of controls over valuation of loans. These include but are not limited to controls over: In addition, we performed substantive audit procedures for a selection of loans in the identified higher-risk industries to test that the cash flows used for calculating the individually assessed loan loss provisions were derived appropriately. In assessing the adequacy of expected cash flows, we considered industry specific market expectations and the respective engagement strategy e. For selected engagements, we also recalculated the individually assessed loan loss provisions. Our Observations Based on the results of our key controls testing and substantive audit procedures, we consider the assumptions and scenarios to determine individually assessed loan loss allowance for loans relating to the identified higher-risk industries to be reasonable. For information on deferred tax assets, we refer to Note 36 of the consolidated financial statements. Recognition and measurement of deferred tax assets contain judgment and besides objective factors also numerous estimates regarding future taxable profit and the usability of unused tax losses and tax credits. The financial statement risk arises particularly from future usability of the benefits being estimated inappropriately. The estimation of future usability depends on future taxable profit potential based on the business plan and taking into account the expected development of key value-determining assumptions and parameters included therein, all being subject to uncertainty. These include in particular assumptions on the development of pre-tax earnings, the influence of potential special items, and permanent effects which determine the taxable profit available in the future. Such estimates must also consider current political and economic developments and jurisdiction specific considerations, including but not limited to US tax reform. Our Audit Approach We conducted a risk assessment to gain an understanding of the applicable tax laws and regulations relevant to the Group. Based on that, we performed both tests of related internal key controls and substantive audit procedures with the assistance of KPMG-internal tax specialists. We performed the following audit procedures as part of our controls testing including, but not limited to: Furthermore, we performed substantive audit procedures for a risk-based sample of deferred tax assets in different countries. This included, but was not limited to: Our Observations Based on the results of our key controls testing and substantive audit procedures we consider recognition and measurement of deferred tax assets in particular regarding the assumptions and parameters to develop the taxable profit and usability of tax losses and credits to be reasonable. Presentation of Legal Risks in the Financial Statements For a qualitative and quantitative description of significant litigations we refer to Note 29 of the consolidated financial statements. The identification of those matters, the evaluation of its likelihood, and the valuation of potential financial obligations resulting thereof is subject to judgment and estimation uncertainty. Our Audit Approach We conducted a risk assessment regarding potential obligating events in designing our audit approach. This was based on an assessment of the internal controls regarding the complete and accurate recording of legal risks as well as inquiries with management and departments that are responsible to identify, evaluate and monitor legal risks. It further consisted of a review of internal and external documentation and publicly available information and inspection of accounts regarding legal expenses. To test the adequacy of the internal control system, we identified controls designed to assure the completeness and accuracy of valuation of provisions and contingent liabilities for legal risks and tested the design and the implementation, as well as the operating effectiveness of such controls. Additionally, we have conducted substantive audit procedures for a risk-based sample of cases, and sent legal confirmation letters to the lawyers dealing with material litigation. We evaluated the recognition and valuation of material provisions and contingent liabilities of the Group based on facts and circumstances available regarding compliance with the accounting standards. We assessed the material assumptions made and key judgements applied including the evaluation of disconfirming evidence. Specifically, for matters where potential obligations existed but the exposure was considered less than probable, we considered audit evidence regarding the lack of recognition and the disclosure thereof. Our Observations Based on the results of our key controls testing and substantive audit procedures, we considered the identification of matters and the evaluation of its likelihood and estimated provision for potential obligations as reasonable. The notes appropriately disclose the estimation uncertainty in valuation. The Financial Statement Risk The financial reporting process is highly dependent on information technology and the availability of complete and accurate electronic data due to the size and the complexity of the Group. The inappropriate granting of or ineffective monitoring of access rights to IT systems therefore presents a risk to the accuracy of financial reporting. Unauthorized or extensive access rights and a lack of segregation of duties cause a risk of intended or unintended manipulation of data that could have a material effect on the completeness and accuracy of the financial statements. Therefore, the design of and compliance with respective precautions is a significant matter for our audit. Furthermore we conducted a risk assessment and identified IT applications, databases and operating systems that are relevant to our audit. For relevant IT-dependent controls within the financial reporting process so-called IT application controls we identified supporting general IT controls and evaluated their design, implementation, and operating effectiveness. We tested key controls particularly in the area of access protection and linkage of such controls to the completeness and accuracy of financial reporting. Our audit procedures included, but were not limited to, the following: Tests of controls regarding initial access granted to IT systems for new employees or employees changing roles, whether that access was subject to appropriate screening and if it was approved by an authorized person in line with the role based authorization concept. Test of controls regarding removal of employee or former employee access rights within an appropriate period of time after having changed roles or leaving the company. Test of controls regarding the appropriateness of system access rights for privileged or administrative authorizations superuser being subject to a restrictive authorization assignment procedure and the regular review thereof. Moreover, we conducted specific testing procedures in the area of password protection, security settings regarding modifications for applications, databases, and operating systems, the segregation of specialist department and IT users and the segregation of employees responsible for program development and those responsible for system operations. In cases where certain IT controls were not effective we identified and tested additional compensating controls for implementation and operating effectiveness as well as testing other compensating evidence. Considering the results of our control tests, we decided on the nature and scope of further substantive audit procedures to be performed. Particularly, where we identified user authorizations not being withdrawn on time after leaving the Bank, we performed an inspection of the activity log of individual users to determine whether unauthorized activities had occurred that would materially affect the completeness and accuracy of financial information processed. Also, by tests of detail we assessed if program developers had approval rights in the modification process and whether they were able to carry out any modifications in the productive versions of applications, databases, and operating systems to assess if these responsibilities were functionally segregated. We have also analyzed the segregation of duties on critical trading and payment systems in order to assess whether the segregation of duties between front and back offices has been adhered to. Our Observations Based on the results of our key controls testing and substantive audit procedures, we consider the IT access management in the financial reporting process to generally address the requirements for completeness and accuracy of financial reporting relevant data. In cases where we identified control deficiencies, we found that compensating controls were in place and tested other compensating evidence to address the risk of material misstatement over the financial statements. Other Information Management is responsible for the other information. Our opinions on the consolidated financial statements and the group management report do not cover the other information and consequently we do not express an opinion or any other form of assurance conclusion thereon. In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information is materially inconsistent with the consolidated financial statements, with the group management report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so. In addition, management is responsible for such arrangements and measures systems as they have considered necessary to enable the preparation of the group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report. 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 consolidated financial statements and this group management report. We exercise professional judgment and maintain professional skepticism throughout the audit. Identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, 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 opinions. 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 of the consolidated financial statements and of arrangements and measures systems relevant to the audit of the group management report 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 these systems. Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by the management and related disclosures. However, future events or conditions may cause the Group to cease to be able to continue as a going concern. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions. Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information. 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 the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the 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 consolidated financial statements of the current period and are therefore the key audit matters. We or our predecessor firms have served as auditor to Deutsche Bank Aktiengesellschaft and its predecessor companies since

Chapter 3 : Auditors Opinions, Meaning and Consequences, Statement, Report

Footnotes (AS - The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion): 1 This standard uses the term "financial statements" as used by the U.S. Securities and Exchange Commission ("SEC") to include all notes to the statements and all related schedules.

Financial audit It is important to note that auditor reports on financial statements are neither evaluations nor any other similar determination used to evaluate entities in order to make a decision. The report is only an opinion on whether the information presented is correct and free from material misstatements, whereas all other determinations are left for the user to decide. The four reports are as follows: Unqualified Opinion[edit] An opinion is said to be unqualified when he or she does not have any significant reservation in respect of matters contained in the Financial Statements. The most frequent type of report is referred to as the "Unqualified Opinion", and is regarded by many as the equivalent of a "clean bill of health" to a patient, which has led many to call it the "Clean Opinion", but in reality it is not a clean bill of health, because the Auditor can only provide reasonable assurance regarding the Financial Statements, not the health of the company itself, or the integrity of company records not part of the foundation of the Financial Statements. It is the best type of report an auditee may receive from an external auditor. An Unqualified Opinion indicates the following â€" 1 The Financial Statements have been prepared using the Generally Accepted Accounting Principles which have been consistently applied; 2 The Financial Statements comply with relevant statutory requirements and regulations; 3 There is adequate disclosure of all material matters relevant to the proper presentation of the financial information subject to statutory requirements, where applicable; 4 Any changes in the accounting principles or in the method of their application and the effects thereof have been properly determined and disclosed in the Financial Statements. US auditing standards require that the title includes "independent" to convey to the user that the report was unbiased in all respects. Traditionally, the main body of the unqualified report consists of three main paragraphs, each with distinct standard wording and individual purpose. Nonetheless, certain auditors including PricewaterhouseCoopers [1] have since modified the arrangement of the main body but not the wording in order to differentiate themselves from other audit firms, even though such modification is contrary to the clarified US AICPA standards on auditing. The first paragraph commonly referred to as the introductory paragraph states the audit work performed and identifies the responsibilities of the auditor and the auditee in relation to the financial statements. The second paragraph commonly referred to as the scope paragraph details the scope of audit work, provides a general description of the nature of the work, examples of procedures performed, and any limitations the audit faced based on the nature of the work. Note that this report is acceptable only for periods ending before December 15, Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the country where the report is issued. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 20XX, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in the country where the report is issued. Recently modifications have been made by the PCAOB to the opinion in the independent auditors report. These changes can be attributed to the introduction of SAS No. We conducted our audit in accordance with U. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Opinion In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABC Company, Inc. Qualified Opinion report[edit] Qualified report is given by the auditor in either of these two cases: When the financial statements are materially misstated due to misstatement in one particular account balance, class of transaction or disclosure that does not have pervasive effect on the financial statements. When the auditor is unable to obtain audit evidence regarding particular account balance, class of transaction or disclosure that does not have pervasive effect on the financial statements. The report is mostly like a Clear Opinion Report and only includes a paragraph viz. Basis for Qualification after Scope paragraph and before Opinion paragraph. A Qualified Opinion report is issued when the auditor encountered one of the two types of situations which do not comply with generally accepted accounting principles, however the rest of the financial statements are fairly presented. This type of opinion is very similar to an unqualified or "clean opinion", but the report states that the financial statements are fairly presented with a certain exception which is otherwise misstated. The two types of situations which would cause an auditor to issue this opinion over the Unqualified opinion are: Examples of this include a company dedicated to a retail business that did not correctly calculate the depreciation expense of its building. Even if this expense is considered material, since the rest of the financial statements do conform with gaap, then the auditor qualifies the opinion by describing the depreciation misstatement in the report and continues to issue a clean opinion on the rest of the financial statements. Limitation of scope â€" this type of qualification occurs when the auditor could not audit one or more areas of the financial statements, and although they could not be verified, the rest of the financial statements were audited and they conform to GAAP. If the auditor audited the rest of the financial statements and is reasonably sure that they conform with GAAP, then the auditor simply states that the financial statements are fairly presented, with the exception of the inventory which could not be audited. The wording of the qualified report is very similar to the Unqualified opinion, but an explanatory paragraph is added to explain the reasons for the qualification after the scope paragraph but before the opinion paragraph. The introductory paragraph is left exactly the same as in the unqualified opinion, while the scope and the opinion paragraphs receive a slight modification in line with the qualification in the explanatory paragraph. The scope paragraph is edited to include the following phrase in the first sentence, so that the user may be immediately aware of the qualification. This placement also informs the user that, except for the qualification, the rest of the audit was performed without qualifications: Depending on the type of qualification, the phrase is edited to either state the qualification and the adjustments needed to correct it, or state the scope limitation and that adjustments could have but not necessarily been required in order to correct it. For a qualification arising from a deviation from GAAP, the following phrase is added to the opinion paragraph, using the depreciation example mentioned above: In Opinion paragraph the wording changes to, "Because of situations mentioned in Basis for Adverse Opinion paragraph, in our opinion the financial statements of XYZ Co. Generally, an adverse opinion is only given if the financial statements pervasively differ from GAAP. The wording of the adverse report is similar to the qualified report. The scope paragraph is modified accordingly and an explanatory paragraph is added to explain the reason for the adverse opinion after the scope paragraph but before the opinion paragraph. When the auditor is not independent or when there is conflict of interest. When the limitation on scope is imposed by client, as a result the auditor is unable to obtain sufficient appropriate audit evidence. When there are significant uncertainties in the business of client. The audit report changes significantly when there is Disclaimer of opinion. An additional paragraph "Basis for Disclaimer" is added in audit report which is placed after Scope paragraph and before Opinion paragraph. This type of report is issued when the auditor tried to audit an entity but could not complete the work due to various reasons and does not issue an opinion. The disclaimer of opinion report can be traced back to , when the Statement on Auditing Procedure No. A lack of independence, or material conflict s of interest, exist between the auditor and the auditee SAS No. Although this type of opinion is rarely used, [5] the most common examples where disclaimers are issued include audits where the auditee willfully hides or refuses to provide evidence and information to the auditor in significant areas of the financial statements, where the auditee is facing significant legal and litigation issues in which the outcome is uncertain usually government investigations , and where the auditee has going concern issues the auditee may not continue operating in the near future. In the introductory paragraph, the first phrase changes from "We have audited" to "We were engaged to audit" in order to let the user know that the auditee commissioned an audit, but does not mention that the auditor necessarily completed the audit. The scope paragraph is omitted in its entirety since, effectively, no audit was performed. Similar to the qualified and the adverse opinions, the auditor must briefly discuss the situations for the disclaimer in an explanatory paragraph. Finally, the opinion paragraph changes completely, stating that an opinion could not be formed and is not expressed because of the situations mentioned in the previous paragraphs. The following is a draft of the three main paragraphs of a disclaimer of opinion because of inadequate accounting records of an auditee, which is considered a significant scope of limitation: The Company does not maintain adequate accounting records to provide sufficient information for the preparation of the basic financial statements. Because of the significance of the matters discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion of the financial statements referred to in the first paragraph. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Going concern[edit] Going concern is a term [2] which means that an entity will continue to operate in the near future which is generally more than next 12 months, so long as it generates or obtains enough resources to operate. If the auditee is not a going concern, it means that the entity might not be able to sustain itself within the next twelve months. Auditors are required to consider the going concern of an auditee before issuing a report. However, if the auditor considers that the auditee is not a going concern, or will not be a going concern in the near future, then the auditor is required to include an explanatory paragraph before the opinion paragraph or following the opinion papragraph, in the audit report explaining the situation, [6] [7] which is commonly referred to as the going concern disclosure. Such an opinion is called an "unqualified modified opinion". Unfortunately, many auditors are increasingly reluctant to include this disclosure in their opinions, since it is considered a "self-fulfilling prophecy" by some. If this situation occurs, the auditee is more likely to stop being a going concern while the auditor loses potential future audit engagements, and so the auditor may be pressured to avoid including a going concern disclosure. The disclosure paragraph should immediately follow the opinion paragraph. The following is the most widely used format of the paragraph which, in this case, deals with a company that has recurring losses: As discussed in Note X to the financial statements, the Company has suffered recurring losses and has a net capital deficiency. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern. Usually, this additional information is included after the opinion paragraph, although some situations require that the additional information be included in paragraphs before the opinion paragraph. The most frequent paragraphs include: Limiting distribution of the report â€” In some occasions, the audit report is restricted to a specified user and the auditor includes this restriction in the report, such as a report for financial statements made in cash basis which are prepared for tax purposes only, financial statements for a wholly owned subsidiary whose sole user of its financial statements is its parent company, etc. If used, this disclaimer is usually included in the introductory paragraph. In the United States, auditors are required to include in the scope paragraphs a phrase stating that they conducted their audit "in accordance with generally accepted auditing standards in the United States of America", and, in the opinion paragraph, state whether the financial statements are presented "in conformity with generally accepted accounting principles in the United States of America". Some countries, such as the Philippines , use similar reports to those issued in the United States, with the exception that second paragraph would state that the audit was conducted in accordance with Philippine Standards on Auditing, and that the financial statements are in accordance with Philippine Financial Reporting Standards. Opinion shopping[edit] Opinion shopping is a term used by external auditors and, after the Enron and Arthur Andersen accounting scandals , the media and general public refer to auditees who contract or reject auditors based on the type of opinion report they will issue on the auditee. The most common example is an auditee that knows that the current auditor is going to issue a qualified, adverse, or disclaimer of opinion report, who then rescinds the audit engagement before the opinion is issued, and subsequently "shops" for another auditor who is willing to issue an "unqualified" opinion, regardless of any qualifying situations mentioned in the previous sections. However, opinion shopping is not limited to auditees contracting auditors based on issuing opinions. It also includes auditors who are over-pleasing to auditees by issuing unqualified reports without properly auditing, or by simply overlooking material issues affecting the audit. Although the great majority of auditors are not willing to jeopardize their profession and reputation for guaranteed audit fees, there are some that will issue opinions solely based on obtaining or maintaining audit engagements. This includes auditors who knowingly emit unmodified unqualified opinions for auditees who are engaged in illegal activities, auditees who have caused a material limitation of scope, auditees that have a lack of going concern, [6] or auditees who present fraudulent financial statements e. Enron and Arthur Andersen. Certification audit reports for example, an ISO audit report Compilations not an audit, but requires a report.

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Chapter 4 : Auditor's Report

A financial statement audit is the examination of an entity's financial statements and accompanying disclosures by an independent calendrierdelascience.com result of this examination is a report by the auditor, attesting to the fairness of presentation of the financial statements and related disclosures.

Who Performs the Audit? Who is Responsible for the Opinion? An audit examines a report. Its purpose is to assess report transparency and accuracy. Auditors perform these inspections and take personal responsibility for audit results. In business, auditors may be accountants, financial specialists, project managers, line managers, technical experts, security experts, and others. The only universal requirement for working as an auditor is recognized expertise in the area under audit. This recognition is crucial because the resulting opinion must speak with authority. Two rules also apply universally for auditing: Firstly, the auditor does not report to the person under audit. The auditor, therefore, cannot receive discipline or reward from this person. The auditor, therefore, has no financial incentive to choose one opinion over another. These rules, naturally, reinforce auditor impartiality. Auditors serve as either internal or external auditors. Internal auditors report directly to very senior managers or directors. They are therefore known also as independent or third-party auditors. Internal Financial Audits Directors and officers in many firms rely on internal financial audits. Investor-owned hotels, for example, run financial audits nightly. They do this because they must be sure that managers and other staff do not allow guests to build large outstanding balances. The industry even has job titles for this role, such as "Night Auditor" or "Night Accountant.

Chapter 5 : Independent Auditors Report â€“ Hansard Global Plc

An auditor's report is a written letter attached to a company's financial statements that expresses its opinion on a company's compliance with standard accounting practices.

This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These reports are one and indivisible. We have performed the statutory audit of the consolidated financial statements of Solvay SA for 17 subsequent years. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence. We believe that the audit evidence 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters How our audit addressed the key audit matters 1. Based on the headroom that exists per CGU as well as sensitivity analyses performed on the valuation and cash flow assumptions used in the impairment test, we have focused on the key management judgements in the cash flows assumptions for the two following CGUs: Composite Materials and Technology Solutions. These 2 CGUs result mainly from the acquisition of Cytec in We have also focused on the valuation assumptions discount rate and long-term growth rate in the context of the aforementioned CGUs important sensitivity to said assumptions, and the fact that management applied the same discount rate for all the CGUs. As consequence, we consider goodwill impairment test for the two aforementioned CGUs to be a key audit matter. Key audit matters How our audit addressed the key audit matters 2. The main consequences on the consolidated figures as of December are: Because the amount of the transition tax is inherently subject to judgements, measurement of the ultimate amount to be paid is potentially subject to future adjustments. We consider the accounting treatment in the financial statements of this event as a key audit matter because of the timing of tax reform December , the complexity of the new legislation and the judgement required to assess the impact of the tax reform. The audit procedures undertaken to address aforementioned audit risks has been primarily substantive; Furthermore, given the significant judgement associated with the transition tax, we challenged management on i the process and methodology used by Solvay to calculate the tax liability and ii the accuracy and completeness of the information used in the inputs to the calculation â€” namely earnings and profits, tax pools, and cash balances of the related subsidiaries; Substantive review of impact of the tax reform was performed by our US tax specialists and mainly covered the following items: Change in tax rate: Accuracy of the impact of the change in corporate tax rate, including the split between income statement and Other Comprehensive Income; Transition tax: Conformity of the transition tax calculation with the newly enacted tax law; Accuracy of the information used to calculate the earnings and profits and foreign tax pools of the related subsidiaries; Completeness of the information used to calculate the transition tax; Accuracy of the cash and cash equivalents balances of the related subsidiaries. Key audit matters How our audit addressed the key audit matters 3. We considered the accounting treatment in the financial statements of this event as a key audit matter because of the size and complexity of the transaction. The disclosure of the divested operations is contained in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flows from discontinued operations and Note F8 Discontinued operations of the financial statements. We tested the disposal gain by reconciling the consideration to the Share Sale Agreement and bank accounts and by verifying the net assets disposed to underlying accounting records. In addition, we verified whether the disposal gain was calculated in accordance with the relevant clauses of the Agreement; We also evaluated the adequacy of the disclosure Note F8 of this disposal in the financial statements. The transaction is expected to close in the second half of We considered accounting treatment in the financial statements of this event as a key audit matter because: The size and complexity of the transaction; The appropriate application of IFRS 5, specifically whether the classification is made in accordance with the requirements of IFRS, whether the assets and liabilities are measured at the lower of fair value less costs to sell or their carrying amounts; The potential impact of the transaction on impairment assessments of assets of other businesses within the group. The disclosure of the discontinued operations is contained in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flows from discontinued operations, the consolidated statement of financial position, Note F8 Discontinued operations and Note F25 Assets Held for Sale of the financial statements. Our procedures include but are not restricted to: Key audit matters How our audit addressed the key audit matters 5. Defined benefit obligations is a key audit matter mainly as the amounts are significant, the assessment process is complex and it requires key management estimates to determine the actuarial assumptions and fair value of assets. We also reviewed the internal controls, mainly around database maintenance and update of assumptions. Responsibilities of the board of directors for the consolidated financial statements The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards IFRS as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. However, future events or conditions may cause the group to cease to continue as a going concern; evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We communicate with the audit committee regarding, amongst 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 the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards. From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. In the context of the procedures performed, we are not aware of such material misstatement. This non-financial information has been established by the company in accordance with the Global Reporting Initiative GRI framework. As requested by Solvay management, we have issued a separate limited and reasonable assurance report on a selection of social, environmental and other sustainable development information in accordance with the International Standard of Assurance Engagements ISAE We do however not express any opinion on the question whether this non-financial information has been established, in all material respects, in accordance with this GRI framework. For information not included in our specific assurance report on non-financial information, we do not express any assurance on individual elements that have been disclosed in this non-financial information. Statements regarding independence No prohibited non-audit services, as referred to by the law, have been performed and our audit firm and, if applicable, our network of audit firms, remained independent from the company during the performance of our mandate. The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Chapter 6 : Deutsche Bank Annual Report - Auditors' Report

Given the critically important role the audit plays, PwC has prepared this useful overview of the financial statement audit *â€" from appointment of the auditors, through the five phases of the audit process, to the final report and audit opinion.*

Chapter 7 : Auditor's report for financial statements - Annual Integrated Report

An audit of a company's financial statements should result in a report wherein the accountant or auditor is free to share their opinion about the validity and reliability of a company's financial statements.

Chapter 8 : Sample Auditors' Opinion Report on Financial Statements

The auditor's report is a disclaimer thereof, issued by either an internal auditor or an independent external auditor as a result of an internal or external audit, as an assurance service in order for the user to make decisions based on the results of the audit.