

Reminder on Auditor's Report

The auditor's report is the final product of the audit process, which includes the audit opinion of the Public Accountant on the financial statements. Public Accountants should therefore take due care when preparing this report.

Various illustrative auditor's reports can be found under SSA 700 – SSA 810, depending on the facts and circumstances of the individual audit engagements. Public accountants are reminded to refer to the illustrative reports as guidance and take into consideration the form and content of the auditor's report.

A typical auditor's report of a standalone, private company has the following components:

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements

Opinion

(...)

Basis for Audit Opinion

(...)

Other Information

(...)

Responsibilities of Management and Directors for the Financial Statements

(...)

Auditor's Responsibilities for the Audit of the Financial Statements

(...)

Report on Other Legal and Regulatory Requirements

(...)

[Sign-off by firm]

Additional considerations for consolidated financial statements

Auditors should take note of the following for audit reports issued on consolidated financial statements arising from a group audit of a company with subsidiaries:

- Reports should make reference to “the Group” under the following paragraphs:
 - Opinion
 - Basis of Audit Opinion
 - Responsibilities of Management and Directors for the Financial Statements
 - Auditor's Responsibilities for the Audit of the Financial Statements
- Reports should make reference to “consolidated” financial statements under the following paragraphs:
 - Opinion
 - Auditor's Responsibilities for the Audit of the Financial Statements

For detailed illustrations, please refer to the following auditing standards:

- SSA 700 *Forming an Opinion and Reporting on Financial Statements* for illustrative reports with an unmodified auditor's opinion.
- SSA 705 (Revised) *Modifications to the Opinion in the Independent Auditor's Report* for illustrative reports with a modified auditor's opinion.

Modifications to auditor's report

The auditor shall assess whether any modification to the auditor's opinion is required based on the audit evidence obtained during the course of the audit. An example where a modified audit opinion¹ should be issued is when an entity presents non-consolidated financial statements but does not meet the exemption criteria for non-consolidation under paragraph 4(a) of FRS 110 *Consolidated Financial Statements*. In situations where the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements individually or in aggregate are both material and pervasive² to the financial statements due to non-consolidation of entities in the Group, an adverse opinion should be issued.

Public accountants are reminded to adhere to the requirements of SSA 705 (Revised), including the requirements on presentation and content, such as including a description of the matter giving rise to the modification.

Where a modified audit opinion is issued, there should be proper basis and justification included in the auditor's report in accordance with paragraph 19 to 26 of SSA 705 (Revised). The audit procedures performed to arrive at the conclusion should be appropriately documented in the audit working papers.

Material uncertainty related to going concern

Use of going concern basis of accounting is appropriate but a material uncertainty exists

In accordance with paragraph 22 of SSA 570 (Revised) *Going Concern*, if adequate disclosure about the material uncertainty is made in the financial statements, the auditor shall express an unmodified opinion and the auditor's report shall include a separate section under the heading "Material Uncertainty Related to Going Concern". Public accountants should refer to application material A3 of SSA 570 (Revised) for examples of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Various factors should be properly assessed before arriving at the conclusion that material uncertainty exists. The audit procedures performed to arrive at the conclusion that material uncertainty exists and that the use of going concern basis of accounting is still appropriate should be appropriately documented in the audit working papers.

¹ Modified opinion — A qualified opinion, an adverse opinion or a disclaimer of opinion.

² Pervasive — A term used, in the context of misstatements, to describe the effects on the financial statements of misstatements or the possible effects on the financial statements of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence. Pervasive effects on the financial statements are those that, in the auditor's judgment:

- (a) Are not confined to specific elements, accounts or items of the financial statements;
- (b) If so confined, represent or could represent a substantial proportion of the financial statements; or
- (c) In relation to disclosures, are fundamental to users' understanding of the financial statements.

Additional reporting requirements

In addition to reporting on whether proper accounting and other records have been kept, certain Acts have additional reporting requirements, such as for the auditor to report on whether the receipt, expenditure and investments of moneys and the acquisition and disposal of assets during the year have been in accordance with the provisions of the Acts. Public accountants should be clear on the relevant reporting requirements and ensure the completeness of their reporting in the auditor's report. For more illustrative examples, please refer to *AGS 1 Sample Independent Auditor's Reports*.