# Appendix 8.4

# Qualified Opinion due to a material misstatement of the Financial Statements of a Government Entity prepared in accordance with a General-Purpose Compliance Framework (ISSAI 2705)

|  |
| --- |
| For purposes of this illustrative auditor’s report, the following circumstances are assumed:  • Audit of a complete set of financial statements of a government entity using a compliance framework. The audit is not an audit of consolidated financial statements of the government (i.e. ISSAI 2600 does not apply).  • The financial statements are prepared by management of the entity in accordance with the Financial Reporting Framework (XYZ Law) of Jurisdiction X (that is, a financial reporting framework, encompassing law or regulation, designed to meet the common financial information needs of a wide range of users, but which is not a fair presentation framework).  • The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISSAI 2210.   * The expenditures are misstated. The misstatement is deemed to be material but not pervasive to the financial statements (i.e., a qualified opinion is appropriate).   • The relevant ethical requirements that apply to the audit are those of the jurisdiction of a public-sector auditor.  • Based on the audit evidence obtained, the public sector 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 ISSAI 2570 (Revised).   * The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISSAI 2701. * The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.   • Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.  • The auditor has no other reporting responsibilities required under local law. |

**INDEPENDENT AUDITOR’S REPORT**

To the Minister/Secretary/Director of ABC Ministry/Department [or Other Appropriate Addressee]

**Qualified Opinion**

We have audited the financial statements of ABC Ministry (the Ministry), which comprise the Receipts and Payments Statement and Statement of Expenditure for the year ended December 31, 20X1, and schedules forming part of the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements of ABC Ministry for year ended December 31, 20X1 are prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

**Basis for Qualified Opinion**

The supplier was overpaid by xxx as compared to the quoted price for supply of office equipment, which was procured through competitive bidding process. This has resulted in overstatement of expenditure by xxx with consequential effect on cash/bank balance to that extent.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 Ministry in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]**

[Reporting in accordance with the reporting requirements in ISSAI 1720 (Revised) – see Illustration 1 in Appendix 2 of ISA 1720 (Revised).]

**Responsibilities of Management and Those Charged with Governance for the Financial Statements[[1]](#footnote-1)**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with XYZ Law of Jurisdiction X[[2]](#footnote-2), 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 Ministry’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting (only if relevant to an audit of government ministry).

Those charged with governance are responsible for overseeing the Ministry’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 ISSAIs 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.

|  |
| --- |
| Paragraph 41(b) of ISSAI explains that the shaded material below can be located in an Appendix to the auditor’s report. Paragraph 41(c) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor’s responsibilities, rather than including this material in the auditor’s report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor’s responsibilities below.  As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional scepticism 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 Ministry’s internal control[[3]](#footnote-3).  • Evaluate the appropriateness of accounting policies.  • 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 Entity’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 Ministry to cease to continue as a going concern (To **adapt accordingly – the going concern concept may not be relevant to an audit of Ministry. Paragraph A2 of ISSAI 2570 on considerations Specific to Public Sector Entities states going concern risk may arise, but are not limited to, situations where public sector entities operate on a for-profit basis, where the government support may be reduced or withdrawn, or in the case of privatization).**  • 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 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 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. |

[Signature in the name of the Supreme Audit Institution (SAI), the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[SAI Address] [Date]

1. Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction. [↑](#footnote-ref-1)
2. Where management’s responsibility is to prepare financial statements that give a true and fair view, this may read: “Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ...” [↑](#footnote-ref-2)
3. This sentence would be modified, as appropriate, in circumstances when the auditor also has a responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements. [↑](#footnote-ref-3)