# Appendix 8.7

Disclaimer of Opinion due to the Auditor’s inability to obtain sufficient appropriate audit evidence due to accounting records being destroyed by fire (ISSAI 2705)

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| 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 fair presentation 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 IPSASs (a general-purpose framework).  • The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISSAI 2210.   * The auditor was unable to obtain sufficient appropriate audit evidence due to accounting records destroyed by a recent fire accident. The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be both material and pervasive to the financial statements (i.e., a disclaimer of opinion is appropriate).   • The relevant ethical requirements that apply to the audit are those of the jurisdiction of a public-sector auditor.  • Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.   * A more limited description of the auditor’s responsibilities section is required.   • In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law. |

**INDEPENDENT AUDITOR’S REPORT**

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

**Report on the Audit of the Financial Statements[[1]](#footnote-1)**

Disclaimer of Opinion

We were engaged to audit the financial statements of ABC Ministry (the Ministry), which comprise the statement of financial position as at December 31, 20X1, and the statement of financial performance, statement of changes in net assets/equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Ministry. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis for Disclaimer of Opinion**

The Ministry has been maintaining its accounting records both manually and in the accounting system. About 70-80% of the accounting records for the year 20X1 were reported to have been destroyed by the recent fire accident in the office. As a result of this, we were unable to perform our audit procedures on financial statements assertions made by the Ministry in its financial statements for the year ended December 31, 20X1.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements[[2]](#footnote-2)**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs[[3]](#footnote-3), 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 responsibility is to conduct an audit of the Ministry’s financial statements in accordance with International Standards on Auditing and to issue an auditor’s report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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 ethical responsibilities in accordance with these requirements.

**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 or regulation. The matters addressed by other law or regulation (referred to as “other reporting responsibilities”) can be addressed within this section unless the other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the ISSAIs as part of the Report on the Audit of the Financial Statements section. The reporting of other reporting responsibilities that address the same topics as those required by the ISSAIs may be combined (i.e., included in the Report on the Audit of the Financial Statements section under the appropriate subheadings) provided that the wording in the auditor’s report clearly differentiates the other reporting responsibilities from the reporting that is required by the ISSAIs where such a difference exists.

[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. The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable. [↑](#footnote-ref-1)
2. Throughout these illustrative auditor’s reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction. [↑](#footnote-ref-2)
3. 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-3)