Appendix 8.9:

**An Independent Auditor’s Report containing a Qualified Opinion due to a departure from the Applicable Financial Reporting Framework and that includes an Emphasis of Matter Paragraph, and an Other Matter Paragraph (ISSAI 2706)**

|  |
| --- |
| 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. * A departure from the applicable financial reporting framework resulted in a qualified opinion. * 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). * Between the date of the financial statements and the date of the auditor’s report, the construction firm who was awarded the work to construct a parking space and the garage in front of its newly built building had submitted its inability to continue the work. The firm was paid an amount of XXX in advance payment. This was disclosed by the entity as a subsequent event. In the auditor’s judgment, the matter is of such importance that it is fundamental to users’ understanding of the financial statements. The matter did not require significant auditor attention in the audit of the financial statements in the current period. * The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 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.  • 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)**

**Qualified Opinion**

We have audited 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.

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 present fairly, in all material respects, (or give a true and fair view of) the financial position of the Ministry as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

**Basis for Qualified Opinion**

The Ministry’s buildings are depreciated over a period of their useful life using a straight-line method. However, all parts of the buildings (i.e. say roof, windows and doors, floors, brick walls, etc.) that have significant cost as compared to the total costs of the buildings were depreciated together instead of depreciating separately, which constitutes a departure from IPSAS 17. The extent of financial impact on the carrying amount of buildings in the Statement of Financial Position and the resultant effect on depreciation expenses in the statement of financial performance are currently not ascertainable.

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 ethical 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.

**Emphasis of Matter-Effects of a firm’s inability to complete the work**

We draw attention to Note X of the financial statements, which describes the effects of construction firm’s inability to complete the construction work of an office parking space and the garage. Our opinion is not modified in respect of this matter.

**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 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[[4]](#footnote-4).  • Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.  • 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. |

**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)
4. 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-4)