

**The Auditor's Report
in Europe**

-

15 June 2000

Preface

International Standards on Auditing (ISAs) are the primary vehicle through which auditing standards, and hence the auditor's report, are being harmonised in Europe. Two years ago, FEE published a survey *Setting the Standards: Statutory Audit in Europe* which compared national auditing standards in Europe with International Standards on Auditing (ISAs). The study concluded: *"Through the continuing process of setting and amending national standards, FEE member bodies are successfully achieving a convergence of audit approach in Europe. The pro-active co-operation achieved between the professional bodies on a self-regulatory basis provides confidence of a common audit approach, a confidence which is fundamental to the provision of reliable financial data in today's international market place."*

In the 1998 survey, however, it seemed that national laws and regulations prescribing the form and content of the audit opinion obstructed convergence with the ISAs. Given the increasing importance of the auditor's report in a global marketplace FEE decided on a further review of the compatibility of national standards with ISA 700 *"The Auditor's Report on Financial Statements"*.

The 1998 survey compared basic principles and essential procedures across a wide range of auditing standards. This survey in year 2000 presents the results of a detailed comparison of the compliance of auditor's reports for statutory audit of financial statements in European countries with the international standard. It demonstrates that the European professional accounting organisations have now, in all material respects, incorporated ISA 700 in their respective national standards. Remaining differences in audit reporting result mostly from differences in the legal role and responsibilities of the auditor from country to country. Further convergence of audit reporting would seem to require amendment to company law.

The globalisation of the capital markets means that audit reports should be transparent worldwide. FEE believes that significant progress has been achieved in Europe. We look forward to a constructive debate with governments and those who have an interest in the quality of audit reporting.



Hélène Bon
President

June 2000

CONTENTS

THE AUDITOR'S REPORT IN EUROPE

1. EXECUTIVE SUMMARY	3
1.1. Background	3
1.2. Conclusions and Recommendations	3
2. METHODOLOGY OF THE STUDY	6
3. THE AUDITOR'S REPORT FOR THE STATUTORY AUDIT OF FINANCIAL STATEMENTS	8
3.1. The Nature of Statutory Audits of Financial Statements	8
3.2. The Communication of Audit Results	9
3.3. The Basic Criteria for Determining the Form and Content of the Auditor's Report	9
4. INTERNATIONAL STANDARDS ON AUDITING (ISA) AS THE BASIS FOR A HARMONISATION OF THE AUDITOR'S REPORT FOR STATUTORY AUDITS IN THE EU	11
4.1. The Role of the International Standards on Auditing (ISA) in Europe	11
4.2. The Auditor's Report Pursuant to ISA	12
5. RESULTS OF THE STUDY	13
5.1. Introduction	13
5.2. Basic Elements of the Auditor's Report	16
5.3. Unmodified Auditor's Reports	31
5.4. Modified Auditor's Reports	32
5.5. Directors' report	40
5.6. National Auditing and Reporting Requirements	42
5.7. Summary of Conclusions on the Results of the Study	43
6. CONTENTS OF THE APPENDICES	47
Appendix 1: Examples of Unmodified Auditors' Reports by Country	49
Appendix 2: Overview of National Standard Setting for Auditors' Reports by Country	93
Appendix 3: Previous Documents in Europe Addressing the Harmonisation of the Auditor's Report for Statutory Audits	107
 LIST OF TABLES	
Table 1: Overview of legal requirements in relation to the auditor's report.	14
Table 2: Overview of the current use of IAS and US GAAP as an accounting framework in European countries	15
Table 3: Overview of the elements of the auditor's report pursuant to ISA 700 compared to auditors' reports in Europe	17
Table 4: Titles of auditor's reports	18
Table 5: Addressee of auditors' reports	19
Table 6: Reference to the auditing standards in the opinion paragraph	23
Table 7: Reference to the financial reporting framework in the opinion paragraph	28
Table 8: Overview of audit and reporting requirements with regards to the directors' report	41
Table 9: Summary of differences to ISA 700	44-45
Table 10: Summary of recommendations	46

1 Executive Summary

1.1 Background

This study has been prepared by the Fédération des Experts Comptables Européens (FEE), which is the representative organisation in Europe for national professional accounting bodies. FEE groups together 38 leading professional bodies in 26 countries with a combined membership of over 400,000 accountants. Of these, some 45 % are in public practice and provide a wide range of services to both the private and public sectors. The other 55 % are engaged in a variety of positions in business, government and education.

This work represents the latest in a series of papers on the auditing profession and statutory audits in Europe beginning in January 1996. In particular it follows the report issued by FEE in June 1998 entitled “Setting the Standards: Statutory Audit in Europe”, which considered whether national auditing standards of EU Member States fulfilled the basic principles and essential procedures required by the International Standards on Auditing (ISA). The conclusions of the 1998 study were that there was a high degree of correlation between national standards and ISAs, either in terms of existing national standards or draft standards due for implementation nationally in the foreseeable future. Further progress has since been made. Convergence in Europe of country practice, as regards the audit approach, is a reality.

The area of audit reporting was however recommended by FEE for further study. In 1998, it seemed that national laws and regulations prescribing the form and content of the audit opinion led to many divergences from the recommendations of the International Standards on Auditing. There was concern that these divergences might have a single market impact. In 1999, therefore, the Auditing Working Party of FEE undertook to perform a detailed review of the full text compliance of auditors’ reports for the statutory audit of financial statements in European countries (FEE members)¹ with the requirements of ISA 700 “The Auditor’s Report on Financial Statements”.

1.2 Conclusions and Recommendations

Our conclusions and recommendations focus on two areas:

- a) the auditor’s report on the financial statements (as dealt with in ISA 700) and
- b) reporting on other statutory responsibilities.

In the latter area, differences in responsibilities continue to create differences in audit reporting.

The auditor’s report on the financial statements

- (1) This study demonstrates that the European professional accounting organisations have now, in all material respects, incorporated ISA 700 into their respective national auditing standards. This may be ascribed to the efforts by the national professional accounting bodies and FEE in the last few years to strive for an increasing harmonisation of audit and reporting obligations for the audit of financial statements at an international level. Previous commentators on the harmonisation of the auditor’s report (see Appendix 3) identified the following critical areas:

- demarcation of responsibilities of management and statutory auditor
- description of the audit scope
- clarification of the professional standards applied and
- format of the auditor’s report.

¹ European countries comprise EU Member States as well as other European countries, which strive to become a EU Member State in the future.

This study shows that in recent years significant progress has been made in the harmonisation of audit reporting including all of the above mentioned areas.

- (2) National auditing standards governing the form and content of auditors' reports for the statutory audit of financial statements in European countries comply with both the general principles and essential procedures (the so-called "black lettering") as well as the additional explanatory guidance (the so-called "grey lettering") of ISA 700 except in Austria (see paragraph (11) in section 5.2 on page 17) and also those elements of detail for other countries summarised in section 5.7 (pages 43 to 45).
- (3) There are, however, a few areas for improvement. Given the increasing globalisation of the economy and capital markets, FEE has come to the conclusion that users of auditor's reports need to be able to clearly identify the accounting framework applied in the preparation and the auditing standards applied in the audit of the financial statements. Consequently, FEE recommends its member bodies to ensure that national standards require that auditor's reports clearly mention the jurisdiction (the country) providing the national accounting framework and national auditing standards applied, in particular when the financial statements are intended to be used outside the country of origin. The same clarity of reporting is relevant where International Accounting Standards (IAS) and International Standards on Auditing (ISA) have been used. FEE has identified that the current requirements of ISA 700 in this regard may be viewed as unclear. Consequently, FEE recommends that the International Auditing Practices Committee should review its requirements in ISA 700 in relation to the indication of the nationality when making a reference to the accounting framework and auditing standards applied (or the use of international standards).
- (4) In view of the importance of the auditor's independence, FEE also recommends to its member bodies that national auditing standards should call for a reference to the auditor's independence in the title of the auditor's report. This may be particularly important when the financial statements are intended to be used outside the country of origin. The text of ISA 700.6 "...it may be appropriate to use the term "Independent Auditor" in the title.." seems rather unclear in its guidance, and in the related example (ISA 700.28) reference to independence is not made. The International Auditing Practices Committee should reconsider the wording of the standard and the example.
- (5) Finally, it came to FEE's attention during the course of this study that in some member states of the EU (Belgium, France, Italy, Luxembourg and Portugal) the auditor must report separately on the financial statements of the parent company and the group. In other countries, the auditor's report may or must combine the opinions on the parent company and group financial statements. These differences in audit reporting result from differences in the requirements of company law for the preparation and publication of financial statements (and in some cases may result from different accounting standards being applied in the parent company and group financial statements). Pending agreement of the strategies for convergence of the law on financial reporting, FEE does not currently propose a recommended solution to harmonise audit reporting in this area.

Reporting on other statutory responsibilities

- (6) The principal areas of difference in audit reporting in Europe now relate to differences in the role and responsibility of the auditor. As FEE pointed out in its paper in January 1996 on the role, position and liability of the statutory auditor in the European Union, the detailed legal responsibilities of the auditor differ from

Member State to Member State. Many of these differences lie in the area of general responsibilities for compliance by companies with business law and regulation. FEE's report in January 1996 called for clarification of the auditor's role and responsibilities across Europe; the fact that differences persist is a major contributor to the expectation gap. FEE commented in its June 1998 report on auditing standards that without harmonisation of the auditor's role and responsibilities, it is difficult to expect that there could be total harmonisation of the related auditing standards issued by the profession. The same conclusion can be drawn in relation to the area of audit reporting.

- (7) For example, registered auditors in Europe are required by the Fourth and Seventh EU Directives to assess whether the disclosures in the directors' report are consistent with the financial statements. Consequently, most auditor's reports in Europe include some form of conclusion with regard to the directors' report. It should be recognised, however, that the kind of auditor engagement required on the directors' report differs greatly among the various European countries. Some countries only prescribe the minimum requirement pursuant to the EU Directive (assessment of the directors' report's consistency with the financial statements) whereas others require a separate commentary on the form and content of the directors' report.
- (8) The form of audit reporting of the work done on the directors' report is also not comparable among the different jurisdictions. Some countries prescribe that the directors' report be mentioned in the introductory, scope and opinion paragraphs of the auditor's report, whereas other countries provide the information on the assessment of the directors' report in a separate paragraph following the opinion paragraph. In some countries, a requirement to express a conclusion on the directors' report exists only if material problems are found. The auditor's fundamental role of expressing an opinion on the financial statements is unchanged from country to country; however differences in corporate law and therefore reporting on the auditor's work on the directors' report result in differences in the wording of auditor's reports.
- (9) Beyond this, a number of jurisdictions prescribe additional auditing requirements not always related to the financial statements. These include, for example, an assessment of the bookkeeping system or the administration of the company. The results of these additional requirements may also be included in the auditor's report. The issues with regard to the form of reporting on the directors' report apply also in these circumstances (i.e., reporting in the introductory, scope and opinion paragraph or in a separate paragraph following the opinion paragraph). It could be argued that the understandability of an auditor's report may be impaired if too many matters, in addition to the opinion on the financial statements, are to be included in the auditor's report. Such an impairment may however be mitigated by a clear wording and an appropriate report structure and organisation.
- (10) The key issue remains, however, whether or not there is a desire amongst legislators to harmonise the role and responsibilities of the auditor across Europe. FEE has concluded that the core elements of reporting on the auditor's fundamental responsibility – to give an opinion on the financial statements – are now largely harmonised with International Standards on Auditing. In the absence of convergence of company law, FEE does not believe that a compelling case can currently be made for the auditing profession to tackle audit reporting areas not directly covered by International Standards on Auditing.

2 Methodology of the Study

The activities leading to the initiation of this Study began in January 1996, when the FEE issued the study entitled “The Role, Position and Liability of the Statutory Auditor in Europe”. This study was followed by:

October 1996	Green Paper by the EU Commission. “The Role, the Position and the Liability of the Statutory Auditor within the European Union”.
October 1996	FEE Response to the Green Paper from the EU Commission.
February 1997	Opinion by the Economic and Social Committee of the European Parliament on the Green Paper from the EU Commission.
January 1998	Resolution by the European Parliament in response to the Green Paper from the EU Commission.

Based on these developments the European Commission is currently engaged in further work with respect to a single market in the European Union for accountancy services, and in particular, statutory audits of financial statements.

Following an agreement in 1997 between FEE and the European Commission’s Directorate General Internal Market, FEE undertook to review compliance with the International Standards on Auditing (ISA) of the current auditing standards applicable in the European countries. The results of this review were published by FEE in June 1998 in the study entitled “Setting the Standards: Statutory Audit in Europe”. The study focused on compliance with the basic principles and essential procedures contained in the so-called “black lettering” of each of the ISA and included an assessment of such compliance with ISA 700 “The Auditor’s Report on Financial Statements”.

The study “Setting the Standards: Statutory Audit in Europe” came in 1998 to the following conclusion with regard to the compliance with ISA 700 (as well as ISA 710 “Comparatives”) of national auditing standards governing the auditor’s report for statutory audits:

“National standards frequently do not follow the relevant ISAs in detail because national laws and regulations prescribe the form and content of the audit opinion. Harmonisation of the content of the auditor’s report may have a single market impact and will require further consideration by the auditing profession.”

A more detailed treatment of the studies, responses, reports etc. mentioned in this section is provided in Appendix 3 to this Study.

Given the importance of the auditor’s report as a publicly visible indicator of auditing harmonisation, the Auditing Working Party of FEE prepared a detailed questionnaire to determine compliance with the full text of ISA 700 by the national auditing standards governing auditor’s reports for statutory audits in each of the European countries. The answers given by the national professional accounting bodies formed the primary basis for the study.

The national professional accounting organisations of the following 22 countries participated in the study by providing answers to the questions posed in the questionnaire:

Austria	Luxembourg
Belgium	Malta
Czech Republic	Netherlands
Denmark	Norway
Finland	Portugal
France	Romania
Germany	Slovenia
Greece	Spain
Hungary	Sweden
Ireland	Switzerland
Italy	United Kingdom

The scope of this study is limited to statutory audits of financial statements as required by Article 51 of Directive 78/660/EEC (The Fourth Council Directive of 25 July 1978) and Article 38 of Directive 83/349/EEC (The Seventh Council Directive of 13 June 1983). Consequently, when mentioning professional accountants, this discussion paper refers solely to professional accountants in public practice permitted to carry out such statutory audits of accounting documents pursuant to the Directive 84/253/EEC (The Eighth Council Directive of 10 April 1984).

When auditor's reports are referred to in this study, they are therefore limited to those issued by auditors pursuant to the Eighth Council Directive for statutory audits of financial statements pursuant to the Fourth and Seventh Council Directives.

This study does not examine the form of "private" audit reporting to bodies charged with corporate governance (for example the legal requirement for "longform reports" in Austria, Germany, Portugal and Switzerland). The requirement for additional communications to those charged with governance has been recognised at an international level, and in particular by the International Auditing Practices Committee (IAPC), which recently issued the International Auditing Standard ISA 260 "Communications of Audit Matters with Those Charged with Governance". Some may argue that a discursive report to those charged with governance, the contents of which may be prescribed or unprescribed, may add value to those representing shareholder interests. Long-form audit reports are, however, not a subject of this study, which focuses on (short-form) auditor's reports.

3 The Auditor's Report for the Statutory Audit of Financial Statements

3.1 The Nature of Statutory Audits of Financial Statements

Statutory audits of financial statements pursuant to the EU Directives are assurance engagements required by national law. The professional accountants express the results of their work on the statutory financial statements based on the work performed. Moreover, the professional accountants express an overall conclusion (i.e., communicate a professional opinion) on whether the statutory financial statements give a true and fair view in accordance with the applicable statutory accounting framework in order to lend credibility to the financial statements. This is in contrast, for example, to agreed-upon procedures engagements, where the professional accountant performs specific procedures agreed upon with the client on specified elements, accounts or items of the financial statements and reports the findings related to the specific procedures performed.

In the EU, the required statutory audits (of certain statutory non-consolidated and consolidated financial statements) and those professional accountants permitted to carry them out are defined by the EU Directives; the resultant national laws require these audits with a view to the auditor's report being filed with the financial statements at the local commercial register. The nature, scope, and extent of statutory audits of financial statements are defined by national auditing standards promulgated by the respective national professional accounting bodies to the extent that the nature, scope and extent of the audit has not been defined by national legislation or regulation. These auditing standards are based upon the International Standards on Auditing (ISA) of the International Federation of Accountants (IFAC).

Thus the engagement of a professional accountant in public practice to perform a statutory audit of financial statements in the EU requires the professional accountant in public practice:

- to perform the audit in accordance with national legislation or regulation, if these contain such requirements,
- to perform the audit in accordance with national auditing standards as issued by a national professional accounting organisation representing accountants in that jurisdiction,
- to express the results of his or her work on the financial statements based on the work performed,
- to express an overall conclusion (i.e., to communicate a professional opinion) on whether the statutory financial statements give a true and fair view in accordance with the applicable statutory accounting framework.

It should be noted that the last two points above describe the communication of the services performed on the statutory financial statements. The nature of the auditor's report, which is such a means of communication, is inextricably bound to the nature of the audit engagement performed.

3.2 The Communication of Audit Results

The performance of a statutory audit includes the expression of the results of the audit in a report. Auditors' reports should be in written form so that they can be filed and circulated together with the financial statements to which they relate. The communication of the results of a statutory audit of financial statements requires, at a minimum, the expression of an overall conclusion (the professional opinion) on whether the statutory financial statements give a true and fair view in accordance with the applicable statutory accounting reporting framework. In some jurisdictions, such as in Austria, the wording of the legally required auditor's report is limited to these minimum requirements. Although the nature of a statutory audit does not expressly define the form and content of the auditor's communications and their mode of transmission to users, in certain jurisdictions in Europe these matters may be defined by legislation or regulation.

The currently used forms and contents of auditors' reports and their mode of transmission are not cast in stone: an auditor's report must reflect not only the nature of the audit performed but also the needs of its users based on the legal, economic, business, technological and cultural environment in which they operate. As legal, economic, business, technological and cultural conditions change, so too the nature of the audit and the related auditor's report will need to change. The question that needs to be raised is on what basis the form and content of the auditor's report are determined.

3.3 The Basic Criteria for Determining the Form and Content of the Auditor's Report

On the presumption that the cost of information communicated to users in an auditor's report is worth the benefits, such information communicated must be both understandable and suitable. There are, however, trade-offs between these two characteristics. An auditor's report could include a volume of relevant information, but its lack of conciseness may preclude being understood by users. On the other hand, an auditor's report which stated only that the financial statements are in accordance with the applicable statutory accounting framework may be very understandable, but such an auditor's report would not provide sufficient relevant information.

Understandability is a quality that refers to the degree to which a user can perceive the significance of the information in the auditor's report for own purposes. To be suitable and to satisfy the purposes of the user the information communicated in an auditor's report must be relevant and reliable.

The information communicated in an auditor's report is relevant if that information has the capacity to bear on the purpose of the user, in that the information:

- either has the capacity to make a difference in a decision or to confirm or alter the degree of uncertainty about the result of a decision (influence)
- is available to the user before it loses its capacity to influence (timeliness)
- includes data with a capacity to influence (completeness)
- is comparable with competing or corroborating relevant information in fact and over time (comparability/consistency)

The information communicated in an auditor's report is reliable if that information correctly describes the underlying subject matter that the information purports to describe. Reliability can be achieved by accurately describing in the auditor's report certain fundamentals covering the basic principles and essential procedures involved in the conduct of a financial statement audit and ensuring that the opinion provided reliably expresses the conclusions reached in the audit on that basis.

3 The Auditor's Report for the Statutory Audit of Financial Statements

One of the required characteristics comprising relevance is comparability. This characteristic implies that users would prefer to have auditor's reports that they can easily compare between entities and over time (consistency) for a specific entity. The desire to increase the relevance of auditor's reports by improving their comparability has led to the development of standard auditor's reports.

The primary advantage of such standard auditor's reports is that unusual circumstances that require a deviation from standard (such as qualifications or paragraphs emphasising particularly important matters) are thereby highlighted and the attention of the users is automatically drawn to them. These unusual circumstances act like a "red flag" by catching the attention of the users.

Another advantage of standard auditor's reports is that the audit standards detailing their form and content are generally subject to a due process in which the cumulative judgement and knowledge of the profession is brought to bear. Consequently, a standard auditor's report will also tend to minimise user misconceptions in connection with the non-standard communication of audit results.

An additional advantage of the use of standardised auditor's reports among different jurisdictions is the improved inter-jurisdictional communication of audit results, which leads to a harmonisation of the information on audits.

The primary disadvantage of standard auditor's reports is their lack of flexibility when dealing with different circumstances that may not warrant a "red flag" but are still otherwise relevant (influential) to the user. Consequently, in the design of standard auditor's reports, standard setters engage in a trade-off between comparability and influence. Based on the use of more or less standard auditor's reports on a world-wide basis, on the whole it appears that comparability and the resulting minimisation of user misconceptions relating to the non-standard communication of audit results has taken precedence over flexibility.

Issues covered by standard auditor's reports to improve the relevance thereof generally include the subject of the audit, the auditor responsible for the audit, the nature and extent of the audit (its quality) and the auditor's overall conclusion. In certain jurisdictions, other issues are also required to be included in the auditor's report by legislation or regulation or through national auditing standards.

4 International Standards on Auditing (ISA) as the Basis for a Harmonisation of the Auditor's Report for Statutory Audits in the EU

4.1 The Role of the International Standards on Auditing (ISA) in Europe

The International Auditing Practices Committee (IAPC) issues International Standards on Auditing (ISA) on behalf of the International Federation of Accountants (IFAC). The objective of the IAPC is to improve the quality and uniformity of audit practice throughout the world by, among other means, issuing ISA and other guidance on the application of ISA.

Each member body of FEE is also a member of the IFAC. These members contribute to the development of ISA at the IAPC and, as members of the IFAC, have committed themselves to use their best endeavours to work towards implementation, when and to the extent possible under local circumstances, of the ISA and to specifically incorporate in their national auditing standards the principles upon which the ISA issued by the IFAC are based. Pursuant to the IFAC Constitution the members of the IFAC and hence the members of FEE:

“... shall ... support the work of IFAC by bringing to the notice of their members every pronouncement developed by IFAC and by using their best endeavours:

- i. to work towards implementation, when and to the extent possible under local circumstances, of those pronouncements and*
- ii. specifically to incorporate in their national auditing standards the principles on which are based International Standards on Auditing developed by IFAC.”*

As the globalisation of the world economy has progressed, the international accountancy profession and the users of the services provided by that profession have looked increasingly to the IFAC, and in particular to the IAPC, to provide leadership in the harmonisation of national auditing standards. The ISA are widely accepted as providing the basis for the harmonisation of auditing standards because of the due process established in the work of IAPC. The broad international representation in the IAPC ensures that a global approach is applied in the search for appropriate auditing standards. In addition, the Consultative Group of the IAPC provides the public input from users and other interested third parties for the determination of IAPC priorities and the direction of the standards.

Consequently, the ISA have become the primary vehicle through which auditing standards, and hence the auditor's report, are being harmonised in Europe.

4 International Standards on Auditing (ISA) as the Basis for a Harmonisation of the Auditor's Report for Statutory Audits in the EU

4.2 The Auditor's Report Pursuant to ISA

ISA cover the audits of all financial statements, not only statutory financial statements. Consequently, ISA do not differentiate between voluntary and statutory audits: ISA apply equally to both. Requirements for the auditor's report are found in a number of the standards, but the primary standard covering the form and content of the auditor's report is ISA 700: "The Auditor's Report on Financial Statements".

In accordance with ISA 700's treatment of auditor's reports, these may either be unmodified or modified. Unmodified auditor's reports are those without additional references beyond the standard report that is, there are no special circumstances that require further explanation. Modified auditor's reports can be categorised into those that contain a reference that affects the auditor's opinion and those that contain a reference that does not. References that affect the auditor's opinion include:

- qualifications of opinion,
- disclaimers of opinion and
- adverse opinions.

The references that do not affect the auditor's opinion are termed "emphasis of matter". The following is the illustration of the standard unmodified auditor's report contained in ISA 700.

Auditor's Report

(Appropriate Addressee)

We have audited the accompanying balance sheet of the ABC Company as of December 31, 19X1, and the related statements of income, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing (or refer to relevant national standards or practices). 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 give a true and fair view of (or 'present fairly, in all material respects,') the financial position of the Company as of December 31, 19X1, and of the results of its operations and its cash flows for the year then ended in accordance with ...' (and comply with ...).

Auditor
Date
Address

5 Results of the Study

- (1) The following analysis is structured in accordance with the paragraphs contained in ISA 700.
- (2) The terms “in all countries”, “in every country”, or “in each country” refer to all 22 countries participating in the study. Italy has provided two separate sets of answers to the questionnaires (for publicly listed companies and for privately held companies).

5.1 Introduction

ISA 700 (1)

The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on the form and content of the auditor's report issued as a result of an audit performed by an independent auditor of the financial statements of an entity. Much of the guidance provided can be adapted to auditor reports on financial information other than financial statements.

- (3) The primary purpose of the auditor's report is limited to reporting the results of a financial statement audit pursuant to ISA 700. However, in all countries auditor's reports also cover a wide range of reporting requirements in addition to those specified in ISA 700. For example, in compliance with Article 51 of the 4th EU Directive auditors in all EU Member States are required to assess the consistency of the directors' report with the financial statements. Furthermore, most national legislators have introduced specific national auditing and reporting requirements, which exceed the requirements in ISA 700. Examples include the determination of whether the books and records, or the administration of the company, meet applicable legal requirements. Reference is made to a detailed discussion in chapters 5.5. and 5.6.
- (4) The professional accounting organisations in each country have established auditing standards for auditor's reports issued for statutory financial statement audits performed by an independent auditor.
- (5) In each country, except Luxembourg, Malta, the Netherlands and Slovenia, the law includes requirements defining the content of the auditor's report. The exact wording of the auditor's report is not prescribed by law in any country, except for Austria (with the exception of consolidated financial statements prepared in accordance with internationally accepted accounting standards – in this case Austrian law allows the application of internationally accepted auditing standards and ISA 700 report) and France (the opinion paragraph in auditors' reports). The following table gives an overview of legal requirements in relation to the auditor's report:

5 Results of the Study

Country	Exact wording prescribed by law	Contents specified by law	Contents and structure specified by law
Austria	yes (see exception 5.1 (5))	yes (see exception 5.1 (5))	no
Belgium	no	yes	no
Czech Republic	no	yes	no
Denmark	yes	no	yes
Finland	no	yes matters included in the opinion paragraph	no
France	yes only for the opinion paragraph	yes	no
Germany	no	yes law prescribes very strict the assertions to be expressed in the auditor's report, but does not define the precise wording	no
Greece	no	yes	no
Hungary	no	yes only matters included in the opinion paragraph	no
Ireland	no	yes	no
Italy-publicly listed companies	no	yes	no
Italy-privately held companies	no	yes	no
Luxembourg	no	no	no
Malta	no	no	the law requires the use of ISA 700
Netherlands	no	no	no
Norway	no	yes	no
Portugal	no	yes	no
Romania	no	no	yes
Slovenia ²	no	no	no
Spain	no	yes	no
Sweden	no	yes only matters included in the opinion paragraph	no
Switzerland	no	yes	no
UK	no	yes	no

Table 1: Overview of legal requirements in relation to the auditor's report

ISA 700 (2)

The auditor should review and assess the conclusions drawn from the audit evidence obtained as the basis for the expression of an opinion on the financial statements.

- (6) Each country requires auditors to review and assess the conclusions drawn from the audit evidence obtained as the basis for the expression of an opinion on the financial statements, either in its auditing standards or by means of good auditing practice (Belgium).

² The law allows the professional accounting organisation to regulate the auditor's report.

ISA 700 (3)

This review and assessment involves considering whether the financial statements have been prepared in accordance with an acceptable financial reporting framework being either International Accounting Standards (IASs) or relevant national standards or practices. It may also be necessary to consider whether the financial statements comply with statutory requirements.

- (7) Criteria for the assessment of the acceptability of financial statements exist in every country. These criteria represent a financial accounting framework (accounting principles) based in law and derived from the 4th and 7th EU Directives. Some countries allow the use of International Accounting Standards (IAS) or US GAAP for the preparation of statutory financial statements. The use of IAS or US GAAP is limited to certain kinds of legal entities. In all EU Member States the use of IAS or US GAAP must be consistent with the requirements in the respective EU Directives. The following table provides an overview of the current situation in each country:

Country	Use of other than national accounting standards as an alternative basis of accounting			
	IAS		US GAAP	
	Non-consolidated financial statements	Consolidated financial statements	Non-consolidated financial statements	Consolidated financial statements
Austria	no	yes	no	yes
Belgium	no	yes ³	no	yes ³
Czech Republic	no	no	no	no
Denmark	yes	yes	no	no
Finland	no	yes ⁴	no	yes ⁴
France	no	no ⁵	no	no
Germany	no	yes	no	yes
Greece	no	no	no	no
Hungary	no	no	no	no
Ireland	no	no	no	no
Italy-publicly listed companies	no	yes ⁶	no	no
Italy-privately held companies	no	no	no	no
Luxembourg	no	no ⁷	no	no
Malta	yes	yes	no	no
Netherlands	no	no ⁸	no	no
Norway	no	no	no	no
Portugal	no	no ⁹	no	no
Romania	yes	yes ¹⁰	no	no
Slovenia	no	no	no	no
Spain	no	no	no	no
Sweden	no	no	no	no
Switzerland	no	yes	no	yes
UK	no	no	no	no

Table 2 : Overview of the current use of IAS and US GAAP as an accounting framework in European countries

³ The Minister of Economic affairs may, in specific circumstances and upon the considered opinion of the Commission of Accounting Standards, authorise departures and allow use of the IAS.

⁴ IAS and US GAAP may be used under certain conditions.

⁵ Until recently, consolidated financial statements had to be prepared in accordance with French law and comply with EU Directives. Although there are new provisions in accounting law which permit the use of IAS in principle, this new system is not workable until the situation is clarified at an EU level.

⁶ The law contains a provision to this effect but application thereof is pending the Ministry of Grace and Justice regulations.

⁷ There is a draft law currently under study which, if adopted, will introduce flexibility for companies listed on a foreign stock exchange. It will authorise, under certain circumstances, the use of IAS for consolidated financial statements if these comply with EU Directives overall.

⁸ IAS may be used in the Netherlands under certain conditions.

⁹ IAS is to be used if the accounting treatment of specific matters is not regulated in the Portuguese GAAP.

¹⁰ IAS can be used in specific circumstances with the approval of the Ministry of Finance. A program is underway to adopt IAS as national accounting standards.

ISA 700 (4)

The auditor's report should contain a clear written expression of opinion on the financial statements taken as a whole.

- (8) Auditing standards or the law in all countries explicitly require the auditor's report to contain a clear written expression of opinion on the financial statements taken as a whole.

5.2 Basic Elements of the Auditor's Report

ISA 700 (5)

The auditor's report includes the following basic elements, ordinarily in the following layout:

- (a) *title;*
- (b) *addressee;*
- (c) *opening or introductory paragraph*
identification of the financial statements audited;
a statement of the responsibility of the entity's management and the responsibility of the auditor;
- (d) *scope paragraph (describing the nature of an audit)*
a reference to the ISAs or relevant national standards or practices;
a description of the work the auditor performed;
- (e) *opinion paragraph containing an expression of opinion on the financial statements;*
- (f) *date of the report;*
- (g) *auditor's address; and*
- (h) *auditor's signature.*

A measure of uniformity in the form and content of the auditor's report is desirable because it helps to promote the reader's understanding and to identify unusual circumstances when they occur.

- (9) In all countries except Austria the law or auditing standards require the auditor's report to be structured in a manner similar to that required by ISA 700. There are minor differences that are explained in greater detail in the paragraphs following the table:

Elements of the auditor's report	Title	Addressee	Opening or introductory paragraph	Scope paragraph	Opinion paragraph	Date of the report	Auditor's address	Auditor's signature
Country								
Austria	yes	no	no	no	yes	yes	no	yes
Belgium	yes	yes	yes consists of two paragraphs	yes	yes	yes	yes	yes
Czech Republic	yes	yes	yes	yes	yes	yes	yes	yes
Denmark	yes	no	yes	yes	yes	yes	no	yes
Finland	yes	yes	yes	yes	yes	yes	yes	yes
France	yes	yes	yes consists of two paragraphs	yes	yes	yes	yes	yes
Germany	yes	no	yes	yes	yes	yes	yes	yes
Greece	yes	yes	yes	yes	yes	yes	yes	yes
Hungary	yes	yes	yes	yes	yes	yes	no	yes
Ireland	yes	yes	yes consists of two paragraphs	yes	yes	yes	yes	yes
Italy- publicly listed companies	yes	yes	yes	yes	yes	yes	yes	yes
Italy-privately held companies	yes	yes	yes	yes	yes	yes	no	yes
Luxembourg	yes	yes	yes	yes	yes	yes	yes	yes
Malta	yes	yes	yes	yes	yes	yes	yes	yes
Netherlands	yes	no	yes	yes	yes	yes	yes	yes
Norway	yes	yes	yes	yes	yes	yes	yes	yes
Portugal	yes	no	yes	yes	yes	yes	yes	yes
Romania	yes	yes	yes	yes	yes	yes	yes	yes
Slovenia	yes	yes	yes	yes	yes	yes	yes	yes
Spain	yes	yes	yes	yes	yes	yes	yes	yes
			introductory and scope paragraphs are combined					
Sweden	yes	yes	yes	yes	yes	yes	yes	yes
Switzerland	yes	yes	yes	yes	yes	yes	yes	yes
UK	yes	yes	yes	yes	yes	yes	yes	yes
			consists of several paragraphs ¹¹					

Table 3: Overview of the elements of the auditor's report pursuant to ISA 700 compared to auditors' reports in Europe

- (10) In the Czech Republic, Greece, Hungary and Spain the auditor's report also includes the auditor's licence number. In Germany, auditors are required to sign under seal (that is, apply their professional individual or company seal).
- (11) Due to specific regulations the auditor's report in Austria does not comply with ISA 700 except for the consolidated financial statements prepared in accordance with International Accounting Standards. The specific Austrian situation will not be repeated in each of the following study numbers (except for the requirements covering the opinion paragraph).

Legislation enacted in Austria in March 1999 permits the application of IAS for preparing consolidated financial statements as far as IAS are compatible with the EU Directives. In those circumstances there must be a reference in the auditor's report to the reporting framework followed in preparing the financial statements and the auditing standards applied (which in this case will be the ISAs).

¹¹ There are actually five paragraphs for listed companies (see further details in paragraph (18) of the study).

5 Results of the Study

ISA 700 (6)

The auditor's report should have an appropriate title. It may be appropriate to use the term "Independent Auditor" in the title to distinguish the auditor's report from reports that might be issued by others, such as by officers of the entity, the board of directors, or from the reports of other auditors who may not have to abide by the same ethical requirements as the independent auditor.

- (12) The auditor's report is required to have a title in every country. This is required either by the auditing standards or by law.
- (13) Independence is an inherent attribute of a statutory auditor in all EU Member States due to the requirements in the 8th EU Directive. This is the reason why in all countries, except Hungary and Spain, no reference is made to independence in the title of the auditor's report. In Spain the auditing standards require that the auditor's report must have an appropriate title as "Independent audit report on the annual accounts".
- (14) In some countries, e.g. the UK, the need for the auditor to be independent is referred to in an introductory paragraph explaining the auditor's responsibilities. When translating the original auditor's report into English language, in Germany the expression "independent auditor" is used. The following table shows the titles of auditor's reports used in Europe:

Country	Original language	English translation
Austria	Bestätigungsvermerk	Auditor's Report
Belgium	Verslag van de commissaris-revisor ... Bericht des Kommissar-Revisors ... Rapport du commissaire-reviseur ...	Statutory auditor's report
Czech Republic	Zpráva Auditora	Auditors' Report
Denmark	Revisionspåtegning	Auditors' Report
Finland	Tilintarkastuskertomus	Auditor's Report
France	Rapport du Commissaire aux Comptes	Statutory Auditors' Report ...
Germany	Bestätigungsvermerk des Abschlußprüfers	[Independent] Auditor's/ Auditors' Report
Greece	ΠΙΣΤΟΠΟΙΗΤΙΚΟ ΕΛΕΓΧΟΥ ΟΡΚΩΤΟΥ ΕΛΕΓΚΤΗ	Auditor's Report
Hungary	Független Könyvvizsgálói Jelentés	Independent Auditors' Report
Ireland	Auditors' Report ...	n/a
Italy-publicly listed companies	Relazione della società di revisione ...	Auditor's report
Italy-privately held companies	Relazione del Collegio dei Sindaci	Board of Auditor's report
Luxembourg	Rapport du Réviseur d'Enterprises	Auditor's Report
Malta	Report of the Auditors	n/a
Netherlands	Accountantsverklaring	Auditor's Report
Norway	Revisjonsberetning for (year)...	Auditor's Report for...(year)
Portugal	Certificação legal das contas	Statutory Audit Certification
Romania	RAPORT de audit financiar si certificare a bilansului contabil pe anul	Auditor's Report
Slovenia	Mnenje pooblaščenega revizorja	Certified Auditor's Opinion
Spain	Informe de auditoria independiente ...	Independent audit report ...
Sweden	Revisionsberättelse	Audit Report
Switzerland	Rapport de l'organe de révision ... Bericht der Revisionstelle ... Rapporto dell'Ufficio di revisione ...	Report of the Statutory Auditors
UK	Auditors' Report ...	n/a

Table 4: Titles of auditor's reports

- (15) Because of the increasing international use of auditor's reports FEE recommends that auditing standards in European countries should contain a reference to the auditor's independence in the title of the auditor's report in the case that the auditor's report is intended to be used internationally. Further FEE recommends that IAPC consider whether to strengthen the ISA 700.6 reference to independence in the title, especially if the auditor's report is intended to be used outside the country of origin. The text of ISA 700.6 "...it may be appropriate to use the term "Independent Auditor" in the title.." seems rather unclear in its guidance, and in the related example (ISA 700.28) reference to independence is not made. The International Auditing Practices Committee should reconsider the wording of the standard and the example.

ISA 700 (7)

The auditor's report should be appropriately addressed as required by the circumstances of the engagement and local regulations. The report is ordinarily addressed either to the shareholders or the board of directors of the entity whose financial statements are being audited.

- (16) Auditors' reports in Europe must ordinarily be addressed to the shareholders. No specific addressee is indicated in Denmark, France, Germany, the Netherlands, Portugal and Romania, because the auditor's report for statutory audits is according to national law or - in the Netherlands - common practice directed to the general public. The following table provides an overview of how the issue of an addressee is dealt with in each country:

Country	Addressee	
	No addressee	In the title of the auditor's report
Austria	x	
Belgium		... to the shareholders' meeting of the company...
Czech Republic		to the shareholders of ...
Denmark	x	
Finland		To the shareholders of ...
France	x	
Germany	x ¹²	
Greece		...to the Shareholders of ...
Hungary		To the Shareholders/Stockholders of ...
Ireland		...to the members of...
Italy-publicly listed companies		To the shareholders of ...
Italy-privately held companies		To the shareholder' meeting of
Luxembourg		The Shareholders or ¹³ The Board of Directors or The Management
Malta		...to the members of...
Netherlands	x	
Norway		To the Annual Shareholders' Meeting of ...
Portugal	x	
Romania	x	
Slovenia		To the Owners (Shareholders) and/or Board of Directors of...
Spain		To the shareholders of...
Sweden		To the general meeting of the shareholders of....
Switzerland		...to the general meeting of the shareholders of ...
UK		... to the members of...

Table 5: Addressee of auditors' reports

¹² In case of voluntary audits of annual financial statements, the auditor's report is to be addressed to the audited company, for example: "To the XXX OHG [XXX general partnership]".

¹³ When the auditor is not appointed by the shareholders the addressee is the one who appointed the auditor.

INTRODUCTORY PARAGRAPH

- (17) The introduction to the auditor's report is governed by the requirements of ISA 700.8 and ISA 700.9, supported by ISA 700.10 and ISA 700.11.
- (18) In all countries the auditor's report must contain an introductory paragraph.

In Spain the introductory paragraph is combined with the scope paragraph. In Belgium, France, Ireland (statutory audit of the financial statements of privately held companies) and Switzerland, the introductory paragraph consists of two paragraphs. The first paragraph identifies the financial statements to be audited, and the second describes the responsibilities of management and those of the auditor. In Belgium, the first paragraph states 'In accordance with legal and statutory requirements we are pleased to report to you on the performance of the audit mandate which you have entrusted to us'. The second paragraph identifies the financial statements to be audited and the responsibilities of management and the auditor.

In the UK, there are five paragraphs for listed companies, as follows:

- 1st paragraph describes the financial statements being audited.
- 2nd paragraph describes directors' and auditor's respective responsibilities.
- 3rd paragraph describes the objectives of an audit (i.e., whether financial statements give a true and fair view and are properly prepared in accordance with the Companies Act, and to report, if it so be, that the directors' report is not consistent with the financial statements, that the company has not kept proper accounting records, that the auditors have not received all the information and explanations required for their audit, or that the information specified by law (or the listing rules) regarding directors remuneration and transactions is not disclosed).
- 4th paragraph - provides a statement that the auditors have reviewed whether the corporate governance statement within the company's accounts reflects the company's compliance with the provisions of the Combined Code specified for their review by the London Stock Exchange, and that they report if it does not. There is also clarification of the fact that auditors are not required to consider whether the board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.
- 5th paragraph – provides a statement that auditors 'read' other information contained within the annual report and considered the implications for their report if they become aware of any apparent misstatements or material inconsistencies with the financial statements.

The Auditing Practices Board encourages auditor's reports of unlisted companies to include paragraphs 2, 3 and 5 (paragraph 4 is not relevant to unlisted companies).

ISA 700 (8)

The auditor's report should identify the financial statements of the entity that have been audited, including the date of and period covered by the financial statements.

- (19) The auditor's report in each country must identify the financial statements of the entity that have been audited. The information regarding the date or the period covered by the financial statements is given in the introduction to the auditor's report except for Ireland, Malta and the UK where the financial statements are identified indirectly by reference to the page numbers of the financial statements. The financial statements are dated and the period covered is stated on these pages.
- (20) There is a wide range of additional statements to those required by ISA 700 in the introductory paragraphs of auditors' reports. Reference is made to chapters 5.5. and 5.6. of this study.

ISA 700 (9)

The report should include a statement that the financial statements are the responsibility of the entity's management, and a statement that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.

ISA 700 (10)

Financial statements are the representations of management. The preparation of such statements requires management to make significant accounting estimates and judgements, as well as to determine the appropriate accounting principles and methods used in preparation of the financial statements. In contrast, the auditor's responsibility is to audit these financial statements in order to express an opinion thereon.

- (21) In every country, except Denmark, a statement must be included in the introductory paragraph of the auditor's report that the preparation of financial statements is the responsibility of the entity's management. The level of management responsible for the financial statements will vary according to the legal situation in each country.
- (22) In every country, except Denmark, the auditor's report must include a statement that the responsibility of the auditor is to express an opinion on the financial statements.
- (23) In Ireland and the UK, listed company auditors state that their responsibilities are established by statute, the Auditing Practices Board, the listing rules of the Irish Stock Exchange or the listing rules of the London Stock Exchange (if appropriate) and the profession's ethical guidance. It is then stated that it is the auditor's responsibility to report their opinion as to whether the financial statements give a true and fair view.

ISA 700 (11)

An illustration of these matters in an opening (introductory) paragraph is: "We have audited the accompanying balance sheet of the ABC Company as of December 31, 19X1, and the related statements of income, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit."

- (24) Examples for an introductory paragraph are given in the auditing standards in every country. Reference is made to Appendix 1 of this study.

SCOPE PARAGRAPH

- (25) In all countries auditing standards require a scope paragraph. In Spain the introductory paragraph is combined with the scope paragraph.

In Ireland and the UK, the scope of the audit as envisaged by ISA 700 is referred to in the 'basis of audit opinion' paragraph.

ISA 700 (12)

The auditor's report should describe the scope of the audit by stating that the audit was conducted in accordance with ISAs or in accordance with relevant national standards or practices as appropriate. "Scope" refers to the auditor's ability to perform audit procedures deemed necessary in the circumstances. The reader needs this as an assurance that the audit has been carried out in accordance with established standards or practices. Unless otherwise stated, the auditing standards or practices followed are presumed to be those of the country indicated by the auditor's address.

- (26) In each country the auditing standards require that the scope of the audit be described in the scope paragraph of the auditor's report, with the statement that the audit was performed in accordance with the relevant national auditing standards.
- (27) In all countries the term "scope" refers to the auditor's ability to perform audit procedures deemed necessary in the circumstances.
- (28) A specific reference in the scope paragraph to the use of the ISA in the audit is made in Hungary, Malta, Luxembourg and Slovenia. In Germany it is permissible to refer to the ISA in supplementary form. There is an option to use the ISA in Belgium, the Czech Republic and Switzerland. If this option is exercised, a reference must be made to the ISA in the scope paragraph.
- (29) The following statements are required by national auditing standards in each country to indicate in the auditor's report which national or international auditing standards were applied in the audit:

Country	Auditing framework referred to in the scope paragraph of the auditor's report: "We conducted our audit in accordance with..."		
	Reference to national standards without reference to the country's name [words in square brackets are added in the translation]	Reference to national standards in which the country's name is also referred to	Reference only to ISA
Austria	no	no	(x) ¹⁴
Belgium	... the standards of the "Institut des Reviseurs de'Enterprises/ Instituut der Bedrijfsrevisoren".		
Czech Republic		... the auditing standards issued by the Chamber of Auditors of the Czech Republic.	
Denmark	generally accepted auditing standards [as applied in Denmark].		
Finland	... [Finnish] Standards on Auditing.		
France	... the professional standards [applied in France]		
Germany	the generally accepted standards for the audit of financial statements promulgated by the [German] Institut der Wirtschaftsprüfer (IDW)		(x) ¹⁴
Greece	standards of auditing followed by the Institute of Certified Auditors [in Greece]		
Hungary			x
Ireland	Auditing Standards issued by the Auditing Practice Board		
Italy-publicly listed companies	the auditing standards and criteria recommended by CONSOB		
Italy-privately held companies	the principles of professional behaviour of the Board of Auditors endorsed by the CNDC		
Luxembourg			x
Malta			x
Netherlands		auditing standards generally accepted [in the Netherlands] ¹⁵	
Norway		the Norwegian Act on Auditing and Auditors and good auditing practice	
Portugal	the Technical Standards and Guidelines issued by the Ordem dos Revisores Oficiais de Contas		
Romania		Auditing Standards issued by the Body of Expert and Licensed Accountants of Romania (CECCAR)	
Slovenia	basic auditing principles promulgated by [Slovenian] Institute of Auditors and ISA		
Spain	generally accepted auditing standards (combined introductory and scope paragraphs)		
Sweden		good auditing practice [generally accepted auditing standards] in Sweden	
Switzerland	auditing standards promulgated by the profession ¹⁶		
UK	Auditing Standards issued by the Auditing Practices Board		

Table 6: Reference to the auditing standards in the opinion paragraph

¹⁴ For Austria when consolidated financial statements are prepared in accordance with IAS – see 5.1 (11). For Germany, option to refer to ISA in a supplementary form.

¹⁵ In the current Dutch version of the auditor's report no reference to the country is made. Reference is required only in the translation. With effect from January 1st, 2001, a reference to the country must be made in the auditor's report in Dutch language too.

¹⁶ In the current Swiss version of the auditor's report no reference to the country is made. With effect from January 1st, 2001, a reference to the country must be made in the auditor's report. The revised standard requires a statement in the auditor's report referring to "auditing standards generally accepted in Switzerland".

- (30) Given the increasing globalisation of the economy and capital markets, FEE has come to the conclusion that users of auditor's reports must be able to clearly identify the national auditing standards or the ISAs applied. With respect to the increasing cross-border provision of capital (whether in debt or equity form) even for smaller and mid-sized businesses, the argument that such a clear specification need only be provided for larger companies that may have their securities listed on exchanges outside of the country in which they have their head office, appears to be increasingly anachronistic, especially in the single EU market.
- (31) Consequently, FEE recommends that auditing standards in the EU member states require that auditors' reports clearly mention the jurisdiction (the country) providing the national auditing standards or ISA applied if the auditor's report is intended to be used internationally. Examples of a reference to the auditing standards could be: "Auditing Standards promulgated by the *Swiss* profession", "*Danish* generally accepted auditing standards", etc.
- (32) In this connection, FEE recommends that it may be appropriate that the IAPC review its requirements in ISA 700 in relation to the indication of the national auditing standards applied, to better reflect current needs.

ISA 700 (13)

The report should include a statement that the audit was planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement.

- (33) In all countries except Italy (privately held companies) and Spain the auditor's report must include a statement that the audit was planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatements. However, in Italy the auditor's report (scope paragraph) for privately held companies contains the general reference to national auditing standards which require that the audit is to perform to obtain reasonable assurance whether the financial statements are free of material misstatements.
- (34) The equivalent statement in auditor's reports in Ireland and the UK is longer, stating that the audit is planned and performed so as to provide the auditors with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement, whether caused by fraud or other irregularity or error.

ISA 700 (14)

The auditor's report should describe the audit as including:

- a. examining, on a test basis, evidence to support the financial statement amounts and disclosures;***
- b. assessing the accounting principles used in the preparation of the financial statements;***
- c. assessing the significant estimates made by management in the preparation of the financial statements; and***
- d. evaluating the overall financial statement presentation.***

- (35) In every country, except Italy (privately held companies), the auditor's report must describe in the scope paragraph that the audit includes examining evidence on a test basis to support the financial statement amounts and disclosures.

In Italy (privately held companies) such an explicit statement is not given in the auditor's report, but auditing standards require the auditor to perform the respective audit procedures.

In some European countries the scope paragraph must include further explanation of this statement, e.g.:

In Belgium, the auditor's report includes 2 additional sentences '...we have considered the company's administrative and accounting organisation, as well as its internal control procedures. Company officials have responded clearly to our requests for explanations and information'.

In Germany the scope paragraph must contain the following statement: "...we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit..."

- (36) The auditor's report in each country must state in the scope paragraph that the audit includes assessing the accounting principles used in the preparation of the financial statements. In Ireland and the UK basis of audit opinion, this is extended to whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

- (37) In all countries, except Italy (privately held companies) and Sweden, the auditor's report must describe explicitly in the scope paragraph that the audit includes assessing the significant estimates made by management in the preparation of the financial statements.

In Ireland and the UK, in the paragraph titled "basis of audit opinion", this statement is extended to 'significant estimates and judgements'. In Italy (privately held companies) auditing standards require assessing the significant estimates made by the management, but it is not required to give a respective statement in the auditor's report.

In Sweden such an explicit statement is not included in the scope paragraph, but such audit procedures are required by good auditing practice.

- (38) In every country, but Italy, the auditor's report must describe in the scope paragraph that the audit includes an evaluation of the overall financial statement presentation. In Italy this evaluation is implicitly included in the statement on the evaluation of the principles used in preparation of the financial statements.

ISA 700 (15)

The report should include a statement by the auditor that the audit provides a reasonable basis for the opinion.

- (39) In all countries, except Denmark, Ireland, Italy (privately held companies), Spain and the UK, auditing standards require a statement in the auditor's report that the audit provide a reasonable basis for the auditor's opinion. In these countries such a statement is considered unnecessary as it is implicitly covered by the auditor's opinion. If there were any such reservations, the auditor's opinion would be qualified or disclaimed because of a scope limitation.

ISA 700 (16)

An illustration of these matters in a scope paragraph is: "We conducted our audit in accordance with International Standards on Auditing (or refer to relevant national standards or practices). 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."

- (40) Examples of a scope paragraph are provided by the auditing standards in each country. Reference is made to Appendix 1 of this study.

OPINION PARAGRAPH

- (41) In all countries auditing standards require the clear expression of the auditors' opinion in a specific paragraph of the auditor's report.

ISA 700 (17)

The auditor's report should clearly state the auditor's opinion as to whether the financial statements give a true and fair view (or are presented fairly, in all material respects,) in accordance with the financial reporting framework and, where appropriate, whether the financial statements comply with statutory requirements.

ISA 700 (18)

The terms used to express the auditor's opinion are "give a true and fair view" or "present fairly, in all material respects," and are equivalent. Both terms indicate, amongst other things, that the auditor considers only those matters that are material to the financial statements.

- (42) In all countries, including Austria but excluding Italy (privately held companies), Norway and Switzerland (unlisted companies), auditing standards require a clear statement whether the financial statements give a true and fair view (or, give a fair presentation, or fairly present).

The wording used in Norway is "...that the financial statements are prepared in accordance with law and regulations and present the financial position of ... and the results of its operations and its cash flows for the year then ended, in accordance with good accounting practice". In the opinion of the Norwegian Government this satisfies the requirements of the 4th and 7th EU Directives and is the equivalent of the expressions in ISA 700.18.

Similarly, the auditor's report in Switzerland (unlisted companies) can be limited to the statement confirming compliance with laws and bylaws.

- (43) The opinion paragraphs in the countries differ with respect to the disclosure of compliance of the financial statements with statutory requirements. In all countries, except Denmark and Germany, an opinion on this matter is required. In Denmark and Germany the phrase "My/Our audit has not led to any reservations" implies compliance with statutory requirements.

ISA 700 (19)

The financial reporting framework is determined by IASs, rules issued by professional bodies, and the development of general practice within a country, with an appropriate consideration of fairness and with due regard to local legislation. To advise the reader of the context in which "fairness" is expressed, the auditor's opinion would indicate the framework upon which the financial statements are based by using words such as "in accordance with (indicate IASs or relevant national standards)."

- (44) In the opinion paragraph of the auditor's report in all countries reference must be made to the financial reporting framework. This reference is made either by referring to the national law/regulation, to national accounting standards or both.

The following table gives an overview of the wording in the opinion paragraph of the auditor's reports referring to the financial framework:

5 Results of the Study

Country	Reference to the financial reporting framework in the opinion paragraph <i>[words in square brackets are added in the translation]</i>		
	Accounting principles	Law/regulation	Accounting principles and law/regulation
Austria			legal regulations and accounting principles
Belgium		applicable legal and regulatory requirements	
Czech Republic			legislation and accounting standards in the Czech Republic
Denmark		provisions of [Danish] legislation	
Finland		the Accounting Act and other rules and regulations governing the preparation of financial statements	
France	accounting principles generally accepted [in France] ¹⁷		
Germany	[German] principles of proper accounting ¹⁸		
Greece			legal requirements and generally accepted accounting principles
Hungary			The Act on Accounting and accounting principles generally accepted [in Hungary]
Ireland		the Companies Act, 1963 to 1999	
Italy-publicly listed companies		the laws governing the criteria for their preparation	
Italy-privately held companies		the criteria in art. 2426 of the Civil Code	
Luxembourg		the Luxembourg legal and regulatory requirements	
Malta			IAS and Companies Act, 1995
Netherlands			accounting principles generally accepted [in the Netherlands] and the financial reporting requirements included in Part 9, Book 2 of the [Netherlands] Civil Code
Norway			law and regulations and good accounting practice ¹⁹
Portugal	the accounting principles [generally accepted in Portugal]		
Romania			national accounting principals and legal requirements
Slovenia	Slovenian accounting standards		
Spain	generally accepted accounting principles		
Sweden			the Annual Accounts Act and good accounting practice [generally accepted accounting principles] in Sweden
Switzerland		for unlisted companies: Law and the company's articles of incorporation	for listed companies: Accounting and Reporting Recommendations (ARR) and Companies Act
UK		Companies Act 1985 (for auditor's reports in Northern Ireland: Companies (Northern Ireland) Order 1986)	

Table 7: Reference to the financial reporting framework in the opinion paragraph

¹⁷ This is covered in France by the word "regularity" which encompasses the conformity with accounting principles, the bylaws and decisions of the shareholders.

¹⁸ In Germany the reference to the financial reporting framework (including the country's name) is required in the introductory paragraph and therefore the country's name is not repeated in the opinion paragraph (except for the English translation of the German language report).

¹⁹ The Norwegian standards require, that if it is not evident for the user of the accounts, it should be stated in the auditor's report that Norwegian accounting principles have been used.

ISA 700 (20)

In addition to an opinion on the true and fair view (or fair presentation, in all material respects.), the auditor's report may need to include an opinion as to whether the financial statements comply with other requirements specified by relevant statutes or law.

- (45) In addition to the opinion on the true and fair view provided by the financial statements, various requirements exist with respect to additional elements upon which an opinion is to be given in the opinion paragraph. Reference is made to sections 5.5. and 5.6.

ISA 700 (21)

An illustration of these matters in an opinion paragraph is:

"In our opinion, the financial statements give a true and fair view of (or 'present fairly, in all material respects,') the financial position of the Company as of December 31, 19X1, and of the results of its operations and its cash flows for the year then ended in accordance with ... (and comply with ..."

- (46) Examples of an opinion paragraph are provided in the auditing standards of every country. Reference is made to Appendix 1 of this study.

ISA 700 (22)

In any situation where it is not evident which country's accounting principles have been used, the country should be stated. *When reporting on financial statements that are distributed extensively outside the country of origin, it is recommended that the auditor refer to the standards of the country of origin in the auditor's report, such as:*

"... in accordance with accounting principles generally accepted in country A"

This designation will help the user to better understand which accounting principles were used in preparing the financial statements. When reporting on financial statements that are prepared specifically for use in another country (e.g., where the statements have been translated into the language and currency of another country in a crossborder financing), the auditor will consider the need to refer to the accounting principles of the country of origin where prepared, and consider whether appropriate disclosure has been made in the statements.

- (47) In the Czech Republic, Germany, Luxembourg, Slovenia, Sweden, and, from January 1st 2001, the Netherlands and Switzerland, the country whose accounting principles have been used in the preparation of financial statements is stated in the original auditor's report. In circumstances where the auditor's report is being issued in a foreign language, the following countries require that the country's accounting principles applied be stated in the opinion paragraph: Denmark, France, Germany, Hungary, the Netherlands (before January 1st, 2001), Norway and Portugal. In Spain this is not required by law or auditing standard, but it is good practice to state the name of the country if the auditor's report will be translated into foreign languages.

In the UK a reference to the nationality of the accounting principles applied is not required but is becoming more common, particularly for listed companies. In Malta a reference must be made to IAS in every case. In Belgium the information about the accounting principles – in cases where it is not evident – must be mentioned in the introductory paragraph of the auditor's report. In Germany reference to the country which accounting principles are used must be made in the introductory paragraph.

Therefore in the opinion paragraph the country's name is not repeated, except for translation purposes. None of the remaining countries have a requirement which satisfies the requirement of ISA 700.22.

- (48) FEE has come to the conclusion that, for the same reasons that users of auditor's reports need to be able to clearly identify the national auditing standards or the ISA applied in the audit of the financial statements, such users also need to be able to clearly identify the national accounting framework or the IAS applied in the preparation of the financial statements.
- (49) Consequently, FEE recommends that auditing standards in the EU member states require that auditors' reports clearly mention the jurisdiction (the country) providing the national accounting framework or IAS applied if the auditor's report is intended to be used outside the country of origin. Examples of a reference to the accounting framework are: "*German* principles of proper accounting", "the *UK* Companies Act 1985", "*Swiss* Accounting and Reporting Recommendations", etc.
- (50) In this connection, FEE has also come to the conclusion that the current requirements of ISA 700 in this regard are not strict enough. Consequently, FEE recommends that the IAPC review its requirements in ISA 700 in relation to the indication of the accounting framework applied.

DATE OF REPORT

ISA 700 (23)

The auditor should date the report as of the completion date of the audit. This informs the reader that the auditor has considered the effect on the financial statements and on the report of events and transactions of which the auditor became aware and that occurred up to that date.

- (51) In every country the auditor's report must be dated as of the completion date of the audit.

ISA 700 (24)

Since the auditor's responsibility is to report on the financial statements as prepared and presented by management, the auditor should not date the report earlier than the date on which the financial statements are signed or approved by management.

- (52) The auditing standards in each country specify that the auditor is not allowed to date the auditor's report earlier than the date on which the financial statements are signed by management or the board of directors.
In Luxembourg the financial statements must be signed by management or referred to in the minutes of a meeting of the Board of Directors. The Spanish grants the auditor a minimum period of one month to issue his report after the accounts have been signed by the Board of Directors.

AUDITOR'S ADDRESS

ISA 700 (25)

The report should name a specific location, which is ordinarily the city where the auditor maintains the office that has responsibility for the audit.

- (53) In all countries, except Italy (privately held companies) the auditor's report should state the auditor's address, which is usually the city in which the responsible auditor's office is located.

In Italy (privately held companies) only the address of the audited company must be indicated. The Board of Statutory Auditors (Collegio Sindacale) does not have its own address.

In Belgium and Norway auditing standards require that the place where the auditor's report was signed be stated. In Ireland and the UK, the auditing standards do not state that the auditor's address must be included, but the guidance within the auditing standard does state that it will normally be included and reinforces this guidance with report examples that include the address.

AUDITOR'S SIGNATURE

ISA 700 (26)

The report should be signed in the name of the audit firm, the personal name of the auditor or both, as appropriate. The auditor's report is ordinarily signed in the name of the firm because the firm assumes responsibility for the audit.

- (54) In all countries the auditor's report should be signed in the name of the audit firm, the personal name of the individual auditor or both, as appropriate.

5.3 Unmodified Auditor's Reports

THE AUDITOR'S REPORT

ISA 700 (27)

An unqualified opinion should be expressed when the auditor concludes that the financial statements give a true and fair view (or are presented fairly, in all material respects,) in accordance with the identified financial reporting framework. An unqualified opinion also indicates implicitly that any changes in accounting principles or in the method of their application, and the effects thereof, have been properly determined and disclosed in the financial statements.

- (55) The auditing standards in each country require the auditor to give an unqualified opinion on the financial statements if the financial statements give a true and fair view in accordance with the identified financial reporting framework and no scope limitations have been placed on the auditor during the course of the audit by the entity that preclude the auditor from reaching this conclusion with reasonable assurance.
- (56) The auditing standards in all countries including Austria, except Spain and Hungary, explicitly state that the unqualified opinion implies that any changes in the use of accounting principles and the effects thereof have been properly determined and disclosed in the financial statements.

ISA 700 (28)

The following is an illustration of the entire auditor's report incorporating the basic elements set forth and illustrated above. This report illustrates the expression of an unqualified opinion.

*"AUDITOR'S REPORT
(APPROPRIATE ADDRESSEE)*

We have audited the accompanying balance sheet of the ABC Company as of December 31, 19X1, and the related statements of income, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing (or refer to relevant national standards or practices). 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 give a true and fair view of (or 'present fairly, in all material respects,') the financial position of the Company as of December 31, 19X1, and of the results of its operations and its cash flows for the year then ended in accordance with ... (and comply with ...).

*AUDITOR
Date
Address"*

(57) Reference is made to Appendix 1 of the study.

5.4 Modified Auditor's Reports

ISA 700 (29)

An auditor's report is considered to be modified in the following situations:

Matters That Do Not Affect the Auditor's Opinion

- (a) emphasis of a matter*

Matters That Do Affect the Auditor's Opinion

- (a) qualified opinion,
(b) disclaimer of opinion, or
(c) adverse opinion.*

Uniformity in the form and content of each type of modified report will further the user's understanding of such reports. Accordingly, this ISA includes suggested wording to express an unqualified opinion as well as examples of modifying phrases for use when issuing modified reports.

(58) The auditing standards in each country suggest wording to express a qualified opinion and give examples for modifying phrases to be used when issuing modified auditors' reports.

- (59) Pursuant to the auditing standards or the law in every country, a qualified opinion, an adverse opinion or a disclaimer of opinion should be issued for matters that do affect the auditor's opinion.

Matters That Do Not Affect the Auditor's Opinion

ISA 700 (30)

In certain circumstances, an auditor's report may be modified by adding an emphasis of matter paragraph to highlight a matter affecting the financial statements which is included in a note to the financial statements that more extensively discusses the matter. The addition of such an emphasis of matter paragraph does not affect the auditor's opinion. The paragraph would preferably be included after the opinion paragraph and would ordinarily refer to the fact that the auditor's opinion is not qualified in this respect.

- (60) In all countries an emphasis of matter paragraph is used to highlight matters affecting the financial statements. For example, in France, a change in accounting policies requires an emphasis of matter paragraph. Except for Ireland, Spain and the UK, such a paragraph should be placed after the opinion paragraph.

In Spain, which has no requirement for the exact placement of the emphasis of matter paragraph, in practice the emphasis of matter paragraph is placed before the opinion paragraph.

In Ireland and the UK, emphasis of matter paragraphs are referred to as explanatory paragraphs and form part of the "basis of audit opinion". Consequently they appear before the opinion paragraph even though they do not affect the opinion.

- (61) The auditing standards in all countries, except Sweden and Switzerland (for unlisted companies), require the auditor to state in the auditor's report that the opinion is not qualified by an emphasis of matter. However, because of its position after the opinion paragraph this fact becomes self-evident to users in both countries.

ISA 700 (31)

The auditor should modify the auditor's report by adding a paragraph to highlight a material matter regarding a going concern problem.

- (62) If the auditor considers there is a significant going concern problem, in every country the auditor is required to highlight this fact in an additional paragraph. Should circumstances arise as outlined in ISA 570, a further modification of the auditor's report may be required.

ISA 700 (32)

The auditor should consider modifying the auditor's report by adding a paragraph if there is a significant uncertainty (other than a going concern problem), the resolution of which is dependent upon future events and which may affect the financial statements. An uncertainty is a matter whose outcome depends on future actions or events not under the direct control of the entity but that may affect the financial statements.

- (63) For other significant uncertainties the auditing standards of all countries require the auditor to consider adding a paragraph to describe this matter.

In Spain significant uncertainties which may affect the financial statements lead to a qualification or a disclaimer of opinion. Spanish auditing standards provide an example of such an auditor's report.

ISA 700 (33)

An illustration of an emphasis of matter paragraph for a significant uncertainty in an auditor's report follows:

"In our opinion ... (remaining words are the same as illustrated in the opinion paragraph—paragraph 28 above).

Without qualifying our opinion we draw attention to Note X to the financial statements. The Company is the defendant in a lawsuit alleging infringement of certain patent rights and claiming royalties and punitive damages. The Company has filed a counter action, and preliminary hearings and discovery proceedings on both actions are in progress. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements."

(An illustration of an emphasis of matter paragraph relating to going concern is set out in ISA 570 "Going Concern.")

- (64) The auditing standards in every country, except Spain – see paragraph above , provide an example for an emphasis of matter paragraph for a significant uncertainty.
- (65) Except for Hungary, the auditing standards in all countries provide an example of an emphasis of matter paragraph relating to a going concern problem.

ISA 700 (34)

The addition of a paragraph emphasising a going concern problem or significant uncertainty is ordinarily adequate to meet the auditor's reporting responsibilities regarding such matters. However, in extreme cases, such as situations involving multiple uncertainties that are significant to the financial statements, the auditor may consider it appropriate to express a disclaimer of opinion instead of adding an emphasis of matter paragraph.

- (66) For multiple significant uncertainties relating to the financial statements the auditing standards of all countries provide for the expression of a disclaimer of opinion instead of modifying the auditor's report by adding an emphasis of matter paragraph (except Hungary, Ireland and the UK). Pursuant to German auditing standards, multiple uncertainties that are significant to the financial statements usually lead to a qualification or disclaimer of opinion, as such uncertainties generally result in scope limitations. This reflects a more stringent view of the audit consequences of multiple significant uncertainties, but does not lead to a substantively different treatment in practice.

ISA 700 (35)

In addition to the use of an emphasis of matter paragraph for matters that affect the financial statements, the auditor may also modify the auditor's report by using an emphasis of matter paragraph, preferably after the opinion paragraph, to report on matters other than those

affecting the financial statements. For example, if an amendment is necessary to other information in a document containing audited financial statements and the entity refuses to make the amendment, the auditor would consider including in the auditor's report an emphasis of matter paragraph describing the material inconsistency. An emphasis of matter paragraph may also be used when there are additional statutory reporting responsibilities.

- (67) In every country but Hungary an emphasis of matter paragraph may be added in those circumstances in which the financial statements are not affected. In Germany an emphasis of matter paragraph that does not affect the financial statements would be used only if there are additional statutory reporting requirements. Reference is made in sections 5.5 and 5.6.
- (68) In Belgium, Ireland and the UK, the auditing standards expressly allow the use of an explanatory paragraph to highlight any matter which the auditors regard as relevant to a proper understanding of the basis of their opinion. Such information in Austria, Germany and Portugal would ordinarily be included in the long-form audit report.

In Switzerland, the auditing standards require the use of an explanatory paragraph in cases where matters of important violations of laws or regulations need to be brought to the attention of the shareholders' meeting.

Matters That Do Affect the Auditor's Opinion

ISA 700 (36)

An auditor may not be able to express an unqualified opinion when either of the following circumstances exist and, in the auditor's judgement, the effect of the matter is or may be material to the financial statements:

- a) *there is a limitation on the scope of the auditor's work; or*
- b) *there is a disagreement with management regarding the acceptability of the accounting policies selected, the method of their application or the adequacy of financial statement disclosures.*

The circumstances described in a) could lead to a qualified opinion or a disclaimer of opinion. The circumstances described in b) could lead to a qualified opinion or an adverse opinion. These circumstances are discussed more fully in paragraphs 41-46.

- (69) Throughout all participating countries the auditor is required to modify the auditor's report such that the opinion is affected if a material limitation on the scope on the work exists. The auditor's report is also required to be modified such that the opinion is affected for disagreements with management regarding the acceptability of the accounting policies, the method of the application of accounting policies, and the adequacy of financial statement disclosure. In certain jurisdictions a modification affecting the opinion is also required for noncompliance of the financial statements with the law or regulations.

ISA 700 (37)

A qualified opinion should be expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion. A qualified opinion should be expressed as being 'except for' the effects of the matter to which the qualification relates.

ISA 700 (38)

A disclaimer of opinion should be expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements.

ISA 700 (39)

An adverse opinion should be expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

- (70) All countries confirm that their standards comply with ISA 700 (37) and ISA 700 (38). If the effect of disagreements with management is so pervasive that a qualification is not adequate to disclose the misleading or incomplete nature of the financial statements, auditing standards in every country require the auditor to express an adverse opinion. For scope limitations which are so pervasive that a qualification is not adequate to disclose the misleading or incomplete nature of the financial statements auditors in all countries are obliged to express a disclaimer of opinion.

ISA 700 (40)

Whenever the auditor expresses an opinion that is other than unqualified, a clear description of all the substantive reasons should be included in the report and, unless impracticable, a quantification of the possible effect(s) on the financial statements. Ordinarily, this information would be set out in a separate paragraph preceding the opinion or disclaimer of opinion and may include a reference to a more extensive discussion, if any, in a note to the financial statements.

- (71) In all countries the auditor is required by law or auditing standards to give a clear description of all substantive reasons in the auditor's report for a modification of the auditor's report that affects the audit opinion. If practicable, this description has to include a quantification of the possible effects of matters leading to the issuance of an other than unqualified opinion. The respective descriptions are to be set forth in a separate paragraph preceding the opinion or disclaimer of opinion. In Ireland and the UK quantification is always considered to be impractical in case of scope limitations. Therefore there is no requirement in auditing standards to quantify the possible effect.

In Germany the "opinion paragraph" consists of two sections and the description of the reasons for modifying the auditor's report must be placed in the second section. In all countries, except for Germany, a reference to a more extensive discussion of the matters in the notes to the financial statements would ordinarily be included in the auditor's report. In Germany and Portugal such reference would ordinarily be included in the long-form audit report.

Circumstances That May Result in Other Than an Unqualified Opinion

Limitation on Scope

ISA 700 (41)

A limitation on the scope of the auditor's work may sometimes be imposed by the entity (for example, when the terms of the engagement specify that the auditor will not carry out an

audit procedure that the auditor believes is necessary). However, when the limitation in the terms of a proposed engagement is such that the auditor believes the need to express a disclaimer of opinion exists, the auditor would ordinarily not accept such a limited engagement as an audit engagement, unless required by statute. Also, a statutory auditor would not accept such an audit engagement when the limitation infringes on the auditor's statutory duties.

- (72) If the auditor is aware of a scope limitation imposed by the entity while negotiating the terms of the engagement, or if the auditor believes that a scope limitation could infringe his or her professional duties, all countries, except Hungary, prohibit the auditor from accepting the engagement. With the exception of Portugal there are no circumstances in participating countries in which legislation or regulation require the auditor to accept the audit engagement even though there is such a scope limitation. In Portugal the auditor is required by law to accept an engagement. In the Netherlands the auditor is required to withdraw from the engagement, if during the audit a scope limitation is imposed by the entity.

ISA 700 (42)

A scope limitation may be imposed by circumstances (for example, when the timing of the auditor's appointment is such that the auditor is unable to observe the counting of physical inventories). It may also arise when, in the opinion of the auditor, the entity's accounting records are inadequate or when the auditor is unable to carry out an audit procedure believed to be desirable. In these circumstances, the auditor would attempt to carry out reasonable alternative procedures to obtain sufficient appropriate audit evidence to support an unqualified opinion.

- (73) If a scope limitation is imposed by circumstances, in all countries the auditor must carry out reasonable alternative procedures to obtain sufficient appropriate audit evidence to support an unqualified opinion.

ISA 700 (43)

When there is a limitation on the scope of the auditor's work that requires expression of a qualified opinion or a disclaimer of opinion, the auditor's report should describe the limitation and indicate the possible adjustments to the financial statements that might have been determined to be necessary had the limitation not existed.

- (74) In all countries auditing standards require the auditor to describe the scope limitation in the auditor's report if this limitation leads to a qualified opinion or a disclaimer of opinion. In these cases the auditor's report must indicate the possible adjustments to the financial statements that might have been determined to be necessary had the limitation not existed. In Hungary, Ireland and the UK there is no requirement to indicate the possible adjustments to the financial statements. Reference is made to paragraph (71).
- (75) ISA 700.43 requires an indication of possible adjustments to the financial statements in the case of material scope limitation. FEE recommends that IAPC should clarify the wording in a manner consistent with ISA 700.40, which refers to practicability in connection with the quantification in the case of opinions other than unqualified.

ISA 700 (44)

Illustrations of these matters are set out below.

Limitation on Scope - Qualified Opinion

"We have audited ... (remaining words are the same as illustrated in the introductory paragraph—paragraph 28 above).

Except as discussed in the following paragraph, we conducted our audit in accordance with ... (remaining words are the same as illustrated in the scope paragraph—paragraph 28 above).

We did not observe the counting of the physical inventories as of December 31, 19X1, since that date was prior to the time we were initially engaged as auditors for the Company. Owing to the nature of the Company's records, we were unable to satisfy ourselves as to inventory quantities by other audit procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to physical inventory quantities, the financial statements give a true and ... (remaining words are the same as illustrated in the opinion paragraph—paragraph 28 above)."

Limitation on Scope - Disclaimer of Opinion

"We were engaged to audit the accompanying balance sheet of the ABC Company as of December 31, 19X1, and the related statements of income, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. (Omit the sentence stating the responsibility of the auditor).

(The paragraph discussing the scope of the audit would either be omitted or amended according to the circumstances.)

(Add a paragraph discussing the scope limitation as follows:)

We were not able to observe all physical inventories and confirm accounts receivable due to limitations placed on the scope of our work by the Company.

Because of the significance of the matters discussed in the preceding paragraph, we do not express an opinion on the financial statements."

(76) The French, German, Italian and Spanish auditing standards include examples of the auditor's report in the case of scope limitations.

Disagreement with Management

ISA 700 (45)

*The auditor may disagree with management about matters such as the acceptability of accounting policies selected, the method of their application, or the adequacy of disclosures in the financial statements. **If such disagreements are material to the financial statements, the auditor should express a qualified or an adverse opinion.***

(77) Reference is made to paragraph (70).

ISA 700 (46)
Illustrations of these matters are set out below.

Disagreement on Accounting Policies - Inappropriate Accounting Method-Qualified Opinion

"We have audited ... (remaining words are the same as illustrated in the introductory paragraph—paragraph 28 above).

We conducted our audit in accordance with ... (remaining words are the same as illustrated in the scope paragraph—paragraph 28 above).

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements which practice, in our opinion, is not in accordance with International Accounting Standards. The provision for the year ended December 31, 19X1, should be xxx based on the straightline method of depreciation using annual rates of 5% for the building and 20% for the equipment. Accordingly, the fixed assets should be reduced by accumulated depreciation of xxx and the loss for the year and accumulated deficit should be increased by xxx and xxx, respectively.

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements give a true and ... (remaining words are the same as illustrated in the opinion paragraph—paragraph 28 above)."

Disagreement on Accounting Policies - Inadequate Disclosure - Qualified Opinion

"We have audited ... (remaining words are the same as illustrated in the introductory paragraph—paragraph 28 above).

We conducted our audit in accordance with ... (remaining words are the same as illustrated in the scope paragraph—paragraph 28 above).

On January 15, 19X2, the Company issued debentures in the amount of xxx for the purpose of financing plant expansion. The debenture agreement restricts the payment of future cash dividends to earnings after December 31, 19X1. In our opinion, disclosure of this information is required by ...

In our opinion, except for the omission of the information included in the preceding paragraph, the financial statements give a true and ... (remaining words are the same as illustrated in the opinion paragraph—paragraph 28 above)."

Disagreement on Accounting Policies - Inadequate Disclosure - Adverse Opinion

"We have audited ... (remaining words are the same as illustrated in the introductory paragraph—paragraph 28 above).

We conducted our audit in accordance with ... (remaining words are the same as illustrated in the scope paragraph—paragraph 28 above).

(Paragraph(s) discussing the disagreement).

In our opinion, because of the effects of the matters discussed in the preceding paragraph(s), the financial statements do not give a true and fair view of (or do not 'present fairly') the financial position of the Company as of December 31, 19X1, and of the results of its operations and its cash flows for the year then ended in accordance with ... (and do not comply with ...).“

- (78) Examples of qualified opinions in the case of disagreements on accounting policies are provided in the auditing standards of the following countries:
- inappropriate accounting method (Czech Republic, Finland, France, Germany, Hungary, Italy, the Netherlands, Norway, Spain, Sweden,)
 - inappropriate disclosure (Czech Republic, Finland, France, Germany, Hungary, Italy, the Netherlands, Norway, Spain).
- (79) Examples of adverse opinions resulting from disagreements with management on accounting policies are provided in the auditing standards of Czech Republic, Finland, France, Germany, Hungary, the Netherlands and Spain.
- (80) In the following countries the auditing standards contain an example of an adverse opinion for inadequate disclosure: Czech Republic, Finland, France, Hungary, Norway, Spain.
- (81) Since Luxembourg and Slovenia have enacted the ISA as their national standards, auditors in these countries follow the examples provided by ISA 700.
- (82) UK and Ireland auditing standards contain a range of examples of qualified audit opinions covering disagreement, scope limitation, disclaimer, adverse, combined disagreement and fundamental uncertainty, and omission of primary statement. Also in Germany and the Netherlands the auditing standards contain a wide range of examples for modified auditor's reports for specific cases.

5.5 Directors' report

- (83) The 4th and 7th EU Directives require that the directors' report or the consolidated directors' report which, based on these EU Directives must accompany the respective financial statements, be assessed for consistency with these accompanying respective financial statements. These Directives also specify the minimum content of the directors' report.
- (84) All EU countries meet the requirements in the Directives with respect to the directors' report. Some countries require that the consistency with the financial statements or with law between financial statements and directors' report be assessed by having the auditor critically read the directors' report; others require that the consistency and other contents of the directors' report be reviewed; and still others require a full audit of the consistency and other contents of the directors' report. In other words, some states only prescribe the minimum attestation requirement pursuant to the EU directive (assessment of the directors' report's consistency with the financial statements) whereas others require a separate attestation of the form and content of the directors' report in addition thereto. In some countries a requirement to explicitly express a conclusion on the directors' report is compulsory only if material deficiencies were detected therein. Others require that a conclusion be expressed on the directors' report regardless of whether or not deficiencies were detected.

(85) The different approaches adopted reflect the different roles and content of the directors' report in each of the countries. The different uses and significance of the directors' report and the different types of assessment are consistent with the subsidiarity principle, under which the special circumstances in each individual country are taken into account. Naturally, the auditor's report in each country reflects these differences.

(86) The following table gives an overview of the audit and reporting requirements in relation to the directors' report:

	Audit requirements			Reporting requirements (auditor's report)	
	Assessment of consistency with financial statements	Assessment of compliance with laws and regulations	Audit of contents of the directors' report	Reporting requirement in all cases	Report only in the cases of apparent misstatements and material inconsistencies
Austria	yes	yes	no	yes	no
Belgium	yes	yes	no	yes	no
Czech Republic		n/a			n/a
Denmark	yes	yes	no	no	yes
Finland	yes	yes	yes	yes	no
France	yes	yes	no	yes	no
Germany	yes	yes	yes	yes	no
Greece	yes	no	no	no	yes
Hungary	yes	no	no	no	yes
Ireland	yes	no	no	yes	no
Italy-publicly listed companies	yes	no	no	no	yes
Italy-privately held companies	yes	yes	yes	yes	no
Luxembourg	yes	no	no	yes	no
Malta	yes	no	no	no	yes
Netherlands	yes	yes	no	no	yes
Norway	yes	yes ²⁰	no ²¹	yes	no
Portugal	yes (for listed companies)	no	no	yes (for listed companies)	yes (for listed companies)
Romania		n/a			n/a
Slovenia	yes	no	no	no	yes
Spain	yes	no	no	yes	no
Sweden	yes	yes	yes	yes	no
Switzerland	no	no	no	no	no
UK	yes	no	no	no	yes

Table 8: Overview of audit and reporting requirements with regards to the directors' report

(87) In some countries (Belgium, France and Spain) information on the auditor's responsibilities, the scope of their work and their opinion in relation to the directors' report are dealt within a separate paragraph following the opinion paragraph. The other countries provide the information on the work of the auditor in the introductory, scope and opinion paragraphs. Both models appear to be acceptable as long as the responsibilities of the auditor, the work he has performed and the results of his audit work are made sufficiently clear to the reader of the auditor's report.

²⁰ See paragraph , bullet point 4.

²¹ Any supplementary "management report" and those parts of the director's report which are not required to be audited are covered by ISA 720 and the parallel Norwegian standard.

- (88) A number of countries have applied the provisions of ISA 720 “Other information in Documents Containing Audited Financial Statements” in their treatment of the directors’ report in the auditor’s report. Under ISA 720, other information, such as the directors’ report, in documents containing the audited financial statements (like annual reports that include both the financial statements and the directors’ report) should be read to identify material inconsistencies with the audited financial statements. In addition, when reading this information (the directors’ report), the auditor may become aware of material misstatements of fact. Under ISA 720, if material inconsistencies or misstatements in the other information are determined that are not corrected by management, then the auditor is required to include an emphasis of matter paragraph in the auditor’s report describing the material inconsistency or misstatement in the other information. The application of ISA 720 would satisfy the minimum requirements for the assessment of the consistency of the directors’ report with the financial statements under the Fourth and Seventh EU Directives.

5.6 National Auditing and Reporting Requirements

- (89) Additional audit and reporting requirements result from national legislation, which obliges the auditor to provide attestation on subject matters not always directly related to the financial statements. The following paragraphs summarise some examples:
- (89) In Austria, Denmark, Finland, France, Germany, Italy (privately held companies) and Switzerland the auditor must assess the compliance of the financial statements with supplementary provisions in the articles of incorporation. The reporting requirements differ, as in some countries auditors are obliged to report on the compliance of the financial statements with supplementary provisions in the articles of incorporation whether or not the financial statements comply, whereas in other countries reporting is required only if the financial statements do not comply.
- (91) Compliance of books and records with legal requirements must be assessed by the auditor in all countries except for Finland, Greece, Hungary, Italy (publicly listed companies), Luxembourg, the Netherlands, Romania, Spain, Slovenia and the UK (although UK auditors have to report by exception if proper accounting records have not been kept). In Austria, Belgium, Germany, Ireland, Italy (privately held companies), Norway, Portugal and Switzerland the auditor is obliged to give an opinion on the compliance of books and records in the auditor’s report. In the other countries, e.g. Sweden, an opinion is only required if the auditor has detected material deficiencies.
- (92) In Norway the report includes ‘To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company’s financial affairs and its accounting and internal control systems’. This review covers only those elements relevant to the proper financial reporting of the company. The reason for including this sentence in the scope paragraph is that the Audit and Auditors Act specifically states this as one of the tasks of the auditor.

- (93) In some countries the auditor is required to report on the following additional matters:
- whether the annual accounts (income statement and balance sheet) can be approved/adopted (Finland, Sweden, Switzerland).
 - whether unappropriated profit or loss can be dealt with as proposed by the directors (Finland, Norway, Sweden).
 - whether the directors can be discharged from liability to the company (Finland, Sweden).
 - whether the information in the directors' report on the financial statements, the application of going concern assumption and the proposed appropriation of profit or allocation of losses are consistent with the financial statements and in accordance with laws and regulations (Norway).
 - whether the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good accounting practice (Norway).
 - if applicable, criticism of any act or omission by the directors that may result in liability to the company for damages or that is in conflict with company or accounting law, articles of association, etc. (Finland, Norway, Sweden).
 - if applicable, whether specific requirements in company law and obligations in tax law have been fulfilled (Sweden).
 - if applicable, information of which, in the auditor's view, the shareholders ought to be informed (Norway, Sweden).
- (94) The form in which the respective auditing and reporting responsibilities are communicated in the auditor's report reflects the professional practice and the legislative background of each of these countries. The issues with regard to the form of reporting on the directors' report apply in these circumstances as well (i.e., reporting in the introductory, scope and opinion paragraph or in a separate emphasis of matter paragraph following the opinion paragraph).

5.7 Summary of Conclusions on the Results of the Study

- (95) The following table summarises instances of non-compliance in the order in which the requirements are presented in this study without any determination of their relative significance. The instances of non-compliance relating to statements in the auditor's report do not indicate that audit procedures required by ISA are not performed in the respective countries. Cases of non-compliance of Austrian auditing standards are mentioned only with regards to the opinion paragraph (see paragraph 11):

5 Results of the Study

ISA paragraph reference	Study paragraph reference	Requirement or guidance	The countries whose auditing standards do not contain or comply with this requirement or guidance
700.2	(6)	The auditor should review and assess the conclusions drawn from the audit evidence obtained as the basis for the expression of an opinion on the financial statements	Belgium
700.5	Table 3	The auditor's report should include an introductory and a scope paragraph	Spain (combination of the introductory and the scope paragraph)
700.6	(13) Table 4	It may be appropriate to use the term "Independent Auditor" in the title	All countries except • Hungary and Spain and • Germany for the English translation of the auditor's report
700.7	(16) Table 5	The auditor's report should be appropriately addressed as required by the circumstances of the engagement and local regulations	Denmark France Germany the Netherlands Portugal Romania
700.9 700.10	(21) (22)	In the introductory paragraph the auditor's report should include a statement that the financial statements are the responsibility of the entity's management and a statement that the responsibility of the auditor is to express an opinion on the financial statements based on the audit	Denmark
700.13	(33)	In the scope paragraph the auditor's report should include a statement that the audit was planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatements	Spain Italy (privately held companies)
700.14(a)	(35)	In the scope paragraph the auditor's report should describe the audit as including examining, on a test basis, evidence to support the financial statement amounts and disclosures	Italy (privately held companies)
700.14(c)	(37)	In the scope paragraph the auditor's report should describe the audit as including assessing the significant estimates made by the management in the preparation of the financial statements	Italy (privately held companies) Sweden
700.14(d)	(38)	In the scope paragraph the auditor's report should describe the audit as including an evaluation of the overall financial statements presentation	Italy
700.15	(39)	In the scope paragraph the auditor's report should include a statement by the auditor that the audit provides a reasonable basis for the opinion	Denmark Ireland Italy (privately held companies) Spain UK
700.17 700.18	(42)	In the opinion paragraph the auditor's report should clearly state the auditor's opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework and, where appropriate, whether the financial statements comply with statutory requirements	Italy (privately held companies) ²² Norway ²² Switzerland (unlisted companies) ²²
700.22	(47) Table 7	In the opinion paragraph the auditor's report should state which country's accounting principles have been used in any situation where this is not evident	Austria Belgium ²³ Finland Greece Ireland Italy Romania Spain UK

ISA paragraph reference	Study paragraph reference	Requirement or guidance	The countries whose auditing standards do not contain or comply with this requirement or guidance
700.25	(53)	The report should name a specific location, which is ordinarily the city where the auditor maintains the office that has responsibility for the audit.	Italy (privately held companies)
700.27	(56)	An unqualified opinion in the auditor's report also indicates implicitly that any changes in accounting principles or in the method of their application, and the effects thereof, have been properly determined and disclosed in the financial statements	Hungary and Spain
700.30	(60)	The emphasis of matter paragraph would preferably be included after the opinion paragraph	Ireland Spain UK
700.30	(61)	The emphasis of matter paragraph would ordinarily refer to the fact that the auditor's opinion is not qualified by an emphasis of matter paragraph	Sweden Switzerland (unlisted companies)
700.34	(66)	The auditor may consider it appropriate to express a disclaimer of opinion instead of adding an emphasis of matter paragraph in extreme cases, such as situations involving multiple uncertainties that are significant to the financial statements	Hungary Ireland UK
700.35	(67)	The auditor may also modify the auditor's report by using an emphasis of matter paragraph, preferably after the opinion paragraph, to report on matters other than those affecting the financial statements; an emphasis of matter paragraph may also be used when there are additional statutory reporting responsibilities	Hungary
700.40	(71)	The auditor may include a reference to a more extensive discussion, if any, in a note to the financial statements of the information set out in a separate paragraph preceding the opinion or disclaimer of opinion that provides a clear description of all the substantive reasons for an other than unqualified opinion	Germany ²⁴
700.41	(72)	The auditor would ordinarily not accept an engagement as an audit engagement, unless required by statute if the auditor believes that the limitation in terms of a proposed engagement is such that the auditor believes the need to express a disclaimer of opinion exists	Hungary
700.43	(74)	When there is a limitation on the scope of the auditor's work, that requires the expression of a qualified opinion or a disclaimer of opinion, the auditor's report should describe the limitation and indicate the possible adjustments to the financial statements that might have been determined to be necessary had the limitation not existed	Hungary Ireland UK

Table 9 : Summary of differences to ISA 700

²² In Italy the auditor's report explicitly refers to art. 2423 of civil code which requires that the financial statements give a "true and fair view" representation. In Norway and Switzerland (audit of financial statements of unlisted companies) the words "true and fair view" or "fairly presents in all material respects" are not explicitly used.

²³ However, this information must be mentioned in the introductory paragraph of the auditor's report.

²⁴ Further explanation is given in the legally required long-form audit report.

5 Results of the Study

- (96) A number of conclusions may be drawn from the study comparing the national auditing standards governing the auditor's report for statutory audits of financial statements in European countries with ISA 700. With the exception of those items mentioned in the summary above and, in the case of Austria, national auditing standards governing the form and content of auditors' reports for the statutory audit of financial statements in EU Member States comply with both the general principles and essential procedures (the so-called "black lettering"), as well as the additional explanatory guidance (the so-called "grey lettering"), of ISA 700 in all material respects.
- (97) The following table provides a summary of important recommendations presentend in the study:

ISA paragraph reference	Study paragraph reference	Recommendations
700.6	(15)	Because of the increasing international use of auditor's reports FEE recommends <ul style="list-style-type: none"> • that auditing standards in European countries should contain a reference to the auditor's independence in the title of the auditor's report in the case that the auditor's report is intended to be used internationally. • that IAPC consider whether to strengthen the ISA 700.6 reference to independence in the title of the auditor's report (and make clear the relevant example)
700.12	(31) (32)	FEE recommends <ul style="list-style-type: none"> • that auditing standards in the EU should require that auditor's reports clearly mention the jurisdiction (the country) providing the auditing standards applied, if the auditor's report is intended to be used internationally • that it may be appropriate that the IAPC review its requirements in ISA 700 in relation to the indication of the national auditing standards applied, to better reflect current needs
700.22	(49)	FEE recommends <ul style="list-style-type: none"> • that auditing standards in the EU member states require that auditor's reports clearly mention the jurisdiction (the country) providing the national accounting framework or IAS applied if the auditor's report is intended to be used outside the country of origin • that the IAPC review its requirements in ISA 700 in relation to the indication of the accounting framework applied in the preparation of the financial statements

Table 10 : Summary of recommendations

CONTENTS OF THE APPENDICES

APPENDIX 1: EXAMPLES OF UNMODIFIED AUDITOR'S REPORTS BY COUNTRY	49
Austria	49
Belgium	50
Czech Republic	55
Denmark	56
Finland	58
France	59
Germany	61
Greece	63
Hungary	65
Ireland	67
Italy	68
• Regulated Audit Firms	68
• Collegio Sindacale	69
Luxembourg	74
Malta	76
The Netherlands	77
Norway	79
Portugal	81
Romania	84
Slovenia	85
Spain	87
Sweden	89
Switzerland	91
United Kingdom	99
APPENDIX 2: OVERVIEW OF NATIONAL STANDARD SETTING FOR AUDITOR'S REPORTS BY COUNTRY	 101
Austria	101
Belgium	101
Czech Republic	102
Denmark	102
Finland	103
France	103
Germany	104
Greece	105
Hungary	105
Ireland	106
Italy	107
• Regulated Audit Firms	107
• Collegio Sindacale	108
Luxembourg	108
Malta	108
The Netherlands	109
Norway	109

Portugal	110
Romania	111
Slovenia	111
Spain	112
Sweden	112
Switzerland	113
United Kingdom	114

APPENDIX 3:

PREVIOUS DOCUMENTS IN EUROPE ADDRESSING THE HARMONISATION OF THE AUDITOR'S REPORT FOR STATUTORY AUDITS	115
1. FEE-Study "The Role, Position and Liability of the Statutory Auditor in the European Union"	115
2. The Green Paper "The Role, the Position and the Liability of the Statutory Auditor within the European Union" by the EU Commission	116
3. Response by the FEE to the Green Paper	117
4. Opinion of the Economic and Social Committee of the European Parliament on the Green Paper	117
5. Resolution by the EU Parliament	118
6. FEE Study "Setting the Standards: Statutory Audit in Europe" and the Report thereon by the EU Commission's Committee on Auditing	118

Appendix 1

Examples of Unmodified Auditor's Reports by Country

Austria

Bestätigungsvermerk²⁵

Die Buchführung und der Jahresabschluß entsprechen/ Der Konzernabschluß entspricht nach meiner/unserer pflichtgemäßen Prüfung den gesetzlichen Vorschriften. Der Jahresabschluß/ Konzernabschluß vermittelt unter Beachtung der Grundsätze ordnungsmäßiger Buchführung ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft/des Konzerns. Der Lagebericht/ Konzernlagebericht steht im Einklang mit dem Jahresabschluß/ Konzernabschluß.

Auditor's Report²⁶

As the result of our audit we can certify that the accounting records and the financial statements comply with the legal regulations. The financial statements give a true and fair view of the company's assets, the liabilities, financial position and profit or loss in conformity with generally accepted accounting principles. The management report corresponds with the financial statements.

Auditor's report – Consolidated financial statements²⁶

As the result of our audit we can certify that the consolidated financial statements comply with the legal regulations. The consolidated financial statements give a true and fair view of the company's assets, the liabilities, financial position and profit or loss in conformity with generally accepted accounting principles. The consolidated management report corresponds with the consolidated financial statements.

²⁵ Gemäß § 274 Abs. 1 HGB.

²⁶ According to § 274 (1) Commercial Code.

Belgium

Verslag van de commissaris-revisor over het boekjaar afgesloten op ... gericht tot de algemene vergadering van aandeelhouders van de vennootschap ...

Overeenkomstig de wettelijke en statutaire bepalingen, brengen wij U verslag uit over de uitvoering van de controleopdracht die ons werd toevertrouwd (in voorkomend geval: door de voorzitter van de rechtbank van koophandel).

Wij hebben de controle uitgevoerd van de jaarrekening, opgesteld onder de verantwoordelijkheid van de raad van bestuur van de vennootschap, over het boekjaar (in voorkomend geval: over ... maanden), afgesloten op ..., met een balanstotaal van ... BEF en waarvan de resultatenrekening afsluit met een winst (verlies) van het boekjaar van ... BEF. Wij hebben eveneens de bijkomende specifieke controles uitgevoerd die door de wet zijn vereist.

Verklaring over de jaarrekening zonder voorbehoud

Onze controles werden verricht overeenkomstig de normen van het Instituut der Bedrijfsrevisoren. Deze beroepsnormen eisen dat onze controle zo wordt georganiseerd en uitgevoerd dat een redelijke mate van zekerheid wordt verkregen dat de jaarrekening geen onjuistheden van materieel belang bevat, rekening houdend met de Belgische wettelijke en bestuursrechtelijke voorschriften met betrekking tot de jaarrekening.

Overeenkomstig deze normen hebben wij rekening gehouden met de administratieve en boekhoudkundige organisatie van de vennootschap, alsook met de procedures van interne controle. De verantwoordelijken van de vennootschap hebben onze vragen naar opheldering of inlichtingen duidelijk beantwoord. Wij hebben op basis van steekproeven de verantwoording onderzocht van de bedragen opgenomen in de jaarrekening. Wij hebben de waarderingsregels, de betekenisvolle boekhoudkundige ramingen die de onderneming maakte en de voorstelling van de jaarrekening in haar geheel beoordeeld. Wij zijn van mening dat deze werkzaamheden een redelijke basis vormen voor het uitbrengen van ons oordeel.

Naar ons oordeel, rekening houdend met de toepasselijke wettelijke en bestuursrechtelijke voorschriften, geeft de jaarrekening afgesloten op ... een getrouw beeld van het vermogen, van de financiële toestand en van de resultaten van de vennootschap en wordt een passende verantwoording gegeven in de toelichting.

Bijkomende verklaringen (en inlichtingen)

Wij vullen ons verslag aan met de volgende bijkomende verklaringen (en inlichtingen) die niet van aard zijn om de draagwijdte van onze verklaring over de jaarrekening te wijzigen:

- Het jaarverslag bevat de door de wet vereiste inlichtingen en stemt overeen met de jaarrekening.
- (In voorkomend geval:) Andere inlichtingen die bedoeld zijn om de aandacht van de lezer te vestigen op een kenmerk van de gecontroleerde documenten, bijvoorbeeld: "Zoals aangeduid in de toelichting bij de jaarrekening, zijn de waarderingsregels die zijn toegepast bij het opstellen van de financiële staten, gewijzigd tegenover het voorgaand boekjaar ...".
- Onverminderd formele aspecten van ondergeschikt belang, wordt de boekhouding gevoerd en de jaarrekening opgesteld overeenkomstig de in België toepasselijke wettelijke en bestuursrechtelijke voorschriften.

- Wij dienen U geen enkele verrichting of beslissing mede te delen die in overtreding met de statuten of de vennootschappenwet zou zijn gedaan of genomen. De resultaatsverwerking die aan de algemene vergadering wordt voorgesteld, stemt overeen met de wettelijke en statutaire bepalingen.
- (In voorkomend geval:) Tijdens het boekjaar werd een interimdividend uitgekeerd waarover wij het hierbijgaande verslag hebben opgesteld, overeenkomstig de wettelijke vereisten.
- (In voorkomend geval:) Overeenkomstig artikel (60 of 60bis) van de vennootschappenwet, dienen wij tevens verslag uit te brengen over de hiernavolgende verrichtingen die hebben plaatsgevonden sinds de laatste gewone algemene vergadering: (beschrijving).....

Brussel,

Vennootschap XYZ, vertegenwoordigd door de heer X,

Commissaris-revisor.

**Rapport du commissaire-reviseur sur l'exercice clôturé le
présenté à l'assemblée générale des actionnaires de la société ...**

Conformément aux dispositions légales et statutaires, nous avons l'honneur de vous faire rapport sur l'exécution de la mission de révision qui nous a été confiée (*le cas échéant*: par le président du tribunal de commerce).

Nous avons procédé à la révision des comptes annuels établis sous la responsabilité du conseil d'administration de la société, pour l'exercice (*le cas échéant*: de ... mois) se clôturant le, dont le total du bilan s'élève à BEF et dont le compte de résultats se solde par un bénéfice/perte de l'exercice de BEF. Nous avons également procédé aux vérifications spécifiques complémentaires requises par la loi.

Attestation sans réserve des comptes annuels

Nos contrôles ont été réalisés en conformité avec les normes de l'Institut des Réviseurs d'Entreprises. Ces normes professionnelles requièrent que notre révision soit organisée et exécutée de manière à obtenir une assurance raisonnable que les comptes annuels ne comportent pas d'inexactitudes significatives compte tenu des dispositions légales et réglementaires applicables aux comptes annuels en Belgique.

Conformément à ces normes, nous avons tenu compte de l'organisation de la société en matière administrative et comptable ainsi que de ses dispositifs de contrôle interne. Les responsables de la société ont répondu avec clarté à nos demandes d'explications et d'informations. Nous avons examiné par sondages la justification des montants figurant dans les comptes annuels. Nous avons évalué le bien fondé des règles d'évaluation et des estimations comptables significatives faites par la société ainsi que la présentation des comptes annuels dans leur ensemble. Nous estimons que ces travaux fournissent une base raisonnable à l'expression de notre opinion.

À notre avis, compte tenu des dispositions légales et réglementaires qui les régissent, les comptes annuels clôturés au donnent une image fidèle du patrimoine, de la situation financière et des résultats de la société et les informations données dans l'annexe sont adéquates.

Attestations (et informations) complémentaires

Nous complétons notre rapport par les attestations (et informations) complémentaires suivantes qui ne sont pas de nature à modifier la portée de l'attestation des comptes annuels:

- Le rapport de gestion contient les informations requises par la loi et concorde avec les comptes annuels.
- *Le cas échéant*: Autres informations destinées à attirer l'attention du lecteur sur une caractéristique des documents contrôlés, par exemple: «Comme indiqué dans l'annexe des comptes annuels, les règles d'évaluation appliquées pour l'élaboration des états financiers ont été modifiées par rapport à l'exercice précédent. ...»
- Sans préjudice d'aspects formels d'importance mineure, la comptabilité est tenue et les comptes annuels sont établis conformément aux dispositions légales et réglementaires applicables en Belgique.
- Nous ne devons vous signaler aucune opération conclue ou décision prise en violation des statuts ou de la loi sur les sociétés. L'affectation des résultats proposée à l'assemblée générale est conforme aux dispositions légales et statutaires.
- *Le cas échéant*: Au cours de l'exercice, un acompte sur dividende a été distribué à propos duquel nous avons établi le rapport qui est joint en annexe, conformément aux exigences légales.
- *Le cas échéant*: En application de l'article (60 ou 60bis) des lois sur les sociétés, nous devons en outre vous faire rapport sur les opérations suivantes qui se sont produites depuis votre dernière assemblée générale ordinaire: (description) ...

Bruxelles, le

société XYZ, représentée par M.X.,

Commissaire-reviseur.

Bericht des Kommissar-Revisors über den Jahresabschluß zum xx.xx.19xx zur Vorlage an die Hauptversammlung der Aktionäre der XY N.V. – xxxx

Gemäß den gesetzlichen und statutären Bestimmungen gestatten wir uns, Ihnen über die Durchführung des uns erteilten Prüfungsauftrags zu berichten.

Wir haben den Jahresabschluß für das Geschäftsjahr zum 31.XX.19XX geprüft. Dieser wurde vom Vorstand (Verwaltungsrat) der Gesellschaft im Rahmen seiner Verantwortlichkeit (Verantwortung) erstellt und umfaßt die Bilanz zum 31.12.19XX mit einer Bilanzsumme in Höhe von BEF sowie die Gewinn- und Verlustrechnung, die einen Jahresüberschuß/Jahresfehlbetrag in Höhe von BEF ausweist. Darüber hinaus (Ferner) haben wir die laut Gesetz vorgeschriebenen zusätzlichen Prüfungshandlungen durchgeführt.

Prüfungsergebnis und Erteilung eines uneingeschränkten Bestätigungsvermerks

Art und Umfang unserer Prüfungshandlungen richteten sich nach den Grundsätzen ordnungsmäßiger Durchführung von Abschlußprüfungen des Instituts der Betriebsrevisoren. Diese Grundsätze erfordern, daß wir durch eine entsprechende Prüfungsorganisation und -durchführung eine angemessene Sicherheit darüber erhalten, daß der Jahresabschluß keine wesentliche Beanstandungen aufweist, unter Beachtung der landesrechtlichen sowie sonstigen gesetzlichen Vorschriften bezüglich des Jahresabschlusses.

In Übereinstimmung mit diesen Grundsätzen haben wir bei unseren Prüfungshandlungen die Organisation der Gesellschaft hinsichtlich ihrer Verwaltung und ihres Rechnungswesens berücksichtigt. Darüber hinaus wurden die Abläufe des internen Kontrollsystems einbezogen. Die Verantwortlichen der Gesellschaft haben alle von uns erbetenen Auskünfte und Nachweise erteilt. Die in den Jahresabschluß aufgenommenen Beträge sind von uns stichprobenmäßig auf ihre Richtigkeit überprüft worden. Wir haben insgesamt die Bewertungsregeln der Gesellschaft, die von ihr vorgenommenen wesentlichen Einschätzungen sowie die Gliederung des Jahresabschlusses (insgesamt) einer Beurteilung unterzogen. Wir sind der Meinung, daß diese Prüfungshandlungen eine ausreichende Basis für die Erteilung unseres Bestätigungsvermerks darstellen.

Wir kommen demnach zu dem Prüfungsergebnis, daß der zum XX.XX.19XX aufgestellte Jahresabschluß der XY N.V. unter Beachtung (Bezugnahme) der maßgeblichen gesetzlichen und sonstigen Vorschriften, ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt. Die im Anhang dargestellten Erläuterungen sind zutreffend.

Zusätzliche Bestätigungen (und Erläuterungen)

Wir ergänzen unseren Bericht durch die nachfolgenden Bestätigungen und Erläuterungen, die jedoch in keiner Weise die Erteilung eines uneingeschränkten Bestätigungsvermerks beeinträchtigen.

- Der Lagebericht (Geschäftsbericht) enthält die gesetzlich vorgeschriebenen Angaben und steht im Einklang (stimmt) mit dem Jahresabschluß (überein).
- (*Fakultativ*) sonstige Erläuterungen (Informationen) die geeignet sind
- Der Jahresabschluß (Die Buchführung) entspricht, unter Berücksichtigung einiger formeller Aspekte von untergeordneter Bedeutung im Bereich der Buchführung, den gesetzlichen und sie ergänzenden sonstigen Vorschriften in Belgien.
- Wir haben keine Kenntnis erlangt über Verstöße gegen die Satzung oder das Gesellschaftsrecht. Der Ihnen vorgelegte Gewinnverwendungsvorschlag entspricht Gesetz und Satzung.
- (*Fakultativ*)
- (*Fakultativ*)

Brüssel, den

Kommissar-Revisor

Vertreten durch

Statutory auditor's report for the year ended to the shareholders' meeting of the company ...

In accordance with legal and statutory requirements we are pleased to report to you on the performance of the audit mandate which you have entrusted to us.

We have audited the financial statements as of and for the year (... months) ended 199. which have been prepared under the responsibility of the board of directors and which show a balance sheet total of BEF and a profit (loss) for the year of BEF We have also carried out the specific additional audit procedures required by law.

Appendix 1: Examples of Unmodified Auditor's Reports by Country

Unqualified/Qualified audit opinion on the financial statements (if applicable: with an emphasis of matter paragraph) - (or: Adverse Opinion/Disclaimer of Opinion)

We conducted our audit in accordance with the standards of the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, taking into account the legal and regulatory requirements applicable to financial statements in Belgium.

In accordance with those standards, we considered the company's administrative and accounting organisation, as well as its internal control procedures. Company officials have responded clearly to our requests for explanations and information. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing accounting principles used and significant accounting 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, taking into account the applicable legal and regulatory requirements, the financial statements give a true and fair view of the company's assets, liabilities, financial position as of 199. and the results of its operations for the year (... months) then ended, and the information given in the notes to the financial statements is as adequate.

Additional certifications (if applicable: and information)

We supplement our report with the following certifications (and information) which do not modify our audit opinion on the financial statements:

- The directors' report contains the information required by law and is consistent with the financial statements.
- (*where applicable:*) other information designed to draw the reader's attention to a specific characteristic of the audited documents, for example: "As indicated in note XX to the financial statements, the accounting principles applied in preparing these financial statements have been modified compared to the previous year".
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained and the financial statements have been prepared in accordance with the legal and regulatory requirements applicable in Belgium.
- No transactions have been undertaken or decisions taken in violation of the company's statutes or Company Law which we would have to report to you. The appropriation of results proposed to the general meeting complies with the legal and statutory provisions.
- (*where applicable:*) An interim dividend was distributed during the year in relation to which we have issued the attached report in accordance with legal requirements.
- (*where required:*) In accordance with article (60 or 60bis) of Company Law, we are also required to report to you on the following transactions which have taken place since the last ordinary general meeting: (description)

City,199.

Name of audit firm represented by

Reviseurs d'entreprises/Bedrijfsrevisoren

Czech Republic

Zpráva auditora ur ená akcionářům společnosti ABC, a. s.

Provedli jsme audit účetní závěrky společnosti ABC, a.s. sestavené k 31. 12. 1999. Za sestavení účetní závěrky je odpovědný statutární orgán společnosti. Naší úlohou je vyjádřit na základě auditu výrok o této účetní závěrce.

Audit jsme provedli v souladu se Zákonem o auditorech a Komoře auditorů České republiky a s auditorskými směrnicemi, jež vydala Komora auditorů České republiky. Auditorské směrnice požadují, aby byl audit naplánován a proveden tak, aby auditor získal přiměřenou jistotu, že účetní závěrka neobsahuje významné nesprávnosti. Audit zahrnuje výběrovým způsobem provedené ověření úplnosti a průkaznosti částek a informací uvedených v účetní závěrce. Audit rovněž zahrnuje posouzení správnosti a vhodnosti použitých účetních zásad a významných odhadů učiněných společností a zhodnocení celkové prezentace účetní závěrky. Jsme přesvědčeni, že provedený audit poskytuje přiměřený podklad pro vyjádření výroku.

Podle našeho názoru, účetní závěrka ve všech významných ohledech věrně zobrazuje majetek, závazky a vlastní jmění společnosti ABC, a. s. k 31. prosinci 1999 a její výsledek hospodaření dosažený za rok 1999 v souladu se zákony a účetními předpisy platnými v České republice.

Auditor
Datum
Sídlo

Auditor's Report to the shareholders of ABC, a. s.

We have audited the financial statements of ABC, a. s. for the year ended December 31, 1999. The financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have performed the audit in accordance with the Law on Auditors and Chamber of Auditors of the Czech Republic and in accordance with the auditing standards issued by The Chamber of Auditors of the Czech Republic. The auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give in all material respects a true and fair view of the assets, liabilities and financial position of ABC, a. s. as at December 31, 1999 and result for the year then ended in accordance with the legislation and accounting standards in the Czech Republic.

Auditor
Date
Address

Appendix 1: Examples of Unmodified Auditor's Reports by Country

Denmark

Revisionspåtegning

Vi har revideret det af ledelsen aflagte årsregnskab for 19xx for xx A/S.

Den udførte revision

Vi har i overensstemmelse med almindeligt anerkendte revisionsprincipper tilrettelagt og udført revisionen med henblik på at opnå en begrundet overbevisning om, at årsregnskabet er uden væsentlige fejl eller mangler. Under revisionen har vi ud fra en vurdering af væsentlighed og risiko efterprøvet grundlaget og dokumentationen for de i årsregnskabet anførte beløb og øvrige oplysninger. Vi har herunder taget stilling til den af ledelsen valgte regnskabspraksis og de udøvede regnskabsmæssige skøn samt vurderet, om årsregnskabets informationer som helhed er fyldestgørende.

Revisionen har ikke givet anledning til forbehold.

Konklusion

Det er vor opfattelse, at årsregnskabet er aflagt i overensstemmelse med lovgivningens krav til regnskabsaflæggelsen, og at det giver et retvisende billede af selskabets aktiver og passiver, økonomiske stilling samt resultat.

x – by, den xx 19xx.
Revisionsfirma
XX
Statsautoriseret revisor

Auditor's Report²⁷

We have audited the financial statements prepared by the management of xx A/S for 19xx.

Basis of opinion

We have in accordance with generally accepted auditing standards planned and performed our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. During our audit we have, based on an evaluation of materiality and risk, examined the support and documentation for the amounts and other disclosures in the financial statements. Our audit also included assessing the accounting principles used and estimates made by management, as well as evaluating the overall financial statements presentation.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements are presented in accordance with the accounting requirements of the law and present fairly the assets and liabilities, the financial position, the results of operations.

x-city, xx. date 19xx.
AUDIT FIRM
By:
State Authorized Public Accountant

²⁷ Translation of the wording.

Auditor's Report²⁸

We have audited the financial statements presented by the Board of Directors and the Management for the year 19xx of xx A/S.

Basis of opinion

We have planned and conducted our audit in accordance with generally accepted auditing standards as applied in Denmark to obtain reasonable assurance that the financial statements are free from material misstatements. Based on an evaluation of materiality and risk, we have tested the basis and documentation for the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting policies applied and the accounting estimates made by the Board of Directors and the Management. In addition, we have evaluated the overall adequacy of the presentation in the financial statements.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements are presented in accordance with the accounting provisions of Danish legislation and give a true and fair view of the company's assets and liabilities, financial position and profit/loss for the year.

x-city, xx. date 19xx.

AUDIT FIRM

XX

State Authorized Public Accountant

²⁸ Translation according to the booklet published by the auditors association.

Finland

Tilintarkastuskertomus X Oy:n osakkeenomistajille

Olemme tarkastaneet X Oy:n kirjanpidon, tilinpäätöksen ja hallinnon tilikaudelta xx. - xx.20xx. Hallituksen ja toimitusjohtajan laatima tilinpäätös sisältää toimintakertomuksen, (sekä konsernin ja emoyhtiön) tuloslaskelman, taseen ja liitetiedot. Suorittamamme tarkastuksen perusteella annamme lausunnon tilinpäätöksestä ja emoyhtiön hallinnosta.

Tilintarkastus on suoritettu hyvän tilintarkastustavan mukaisesti. Kirjanpitoa sekä tilinpäätöksen laatimisperiaatteita, sisältöä ja esittämistapaa on tällöin tarkastettu riittävässä laajuudessa sen toteamiseksi, ettei tilinpäätös sisällä olennaisia virheitä tai puutteita. Hallinnon tarkastuksessa on selvitetty hallintoneuvoston ja hallituksen jäsenten sekä toimitusjohtajan toiminnan lainmukaisuutta osakeyhtiölain säännösten perusteella.

Lausuntonamme esitämme, että tilinpäätös on laadittu kirjanpitolain sekä tilinpäätöksen laatimista koskevien muiden säännösten ja määräysten mukaisesti. Tilinpäätös antaa kirjanpitolaissa tarkoitetulla tavalla oikeat ja riittävät tiedot (konsernin sekä emo-) yhtiön toiminnan tuloksesta ja taloudellisesta asemasta. Tilinpäätös (konsernitilinpäätöksineen) voidaan vahvistaa sekä vastuuvapaus myöntää (emoyhtiön) hallintoneuvoston ja hallituksen jäsenille sekä toimitusjohtajalle tarkastamaltamme tilikaudelta. Hallituksen esitys tuloksen / voitonjakokelpoisten varojen²⁹ käsittelystä on osakeyhtiölain mukainen.

Päiväys ja allekirjoitukset.

Auditor's Report To the shareholders of X Oy

We have audited the accounting, the financial statements and the corporate governance of X Oy for the period xx. - xx. The financial statements, which include the report of the Board of Directors, (consolidated and parent company) income statement(s), balance sheet(s) and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we 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, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Supervisory Board and the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of (both) the (consolidated and parent) company's result of operations as well as of the financial position. The financial statements (with the consolidated financial statements) can be adopted and the members of the Supervisory Board and the Board of Directors and the Managing Director (of the parent company) can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Date and signature.

²⁹ Vrt. OYL 11:9 § 3 mom., OYL 12:2 §, TTL 19 § 1 mom. 4 kohta.

France

Rapport du (des) Commissaires aux Comptes Comptes annuels – Exercice clos le ... Rapport avec certification sans réserve et sans observation ni informations spécifiques³⁰

En exécution de la mission qui nous a été confiée par... (mention de l'organe compétent), nous vous présentons notre rapport relatif à l'exercice clos le...³¹, sur:

- le contrôle des comptes annuels de la société X..., tels qu'ils sont joints au présent rapport³²,
- les vérifications spécifiques et les informations prévues par la loi.

Les comptes annuels ont été arrêtés par... (mention de l'organe compétent). Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

I. Opinion sur les comptes annuels

Nous avons effectué notre audit selon les normes de la profession; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes annuels ne comportent pas d'anomalies significatives. Un audit consiste à examiner, par sondages, les éléments probants justifiant les données contenues dans ces comptes. Il consiste également à apprécier les principes comptables suivis et les estimations significatives retenues pour l'arrêté des comptes et à apprécier leur présentation d'ensemble. Nous estimons que nos contrôles fournissent une base raisonnable à l'opinion exprimée ci-après.

Nous certifions que les comptes annuels sont réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine de la société à la fin de cet exercice.

II. Vérifications et informations spécifiques

Nous avons également procédé, conformément aux normes de la profession, aux vérifications spécifiques prévues par la loi.

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion du conseil d'administration (du directoire, des gérants) et dans les documents adressés aux actionnaires (associés) sur la situation financière et les comptes annuels.

Lieu, date et signature(s)

³⁰ modèles de rapport général (sociétés commerciales)

³¹ Pour les exercices d'une durée différente de douze mois, préciser relatif à l'exercice de x mois clos le ...

³² Ou présentés aux pages ... à ...

Appendix 1: Examples of Unmodified Auditor's Reports by Country

Statutory Auditors' Report on the Financial Statements for the Year ended XX month 19 XX³³

In compliance with the assignment entrusted to us by our (state the relevant body)³⁴ we hereby report to you, for the year ended³⁵..... on:

- the audit of the accompanying financial statements of (the Company).
- the specific verifications and information required by law.

These financial statements have been approved by³⁶ Our role is to express an opinion on these financial statements based on our audit.

Opinion on the financial statements

We conducted our audit in accordance with the professional standards applied in France. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the company's financial position and its assets and liabilities as of and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

Specific verifications and information

We also performed the specific verifications required by law in accordance with the professional standards applied in France.

We have not comments as to the fair presentation and the conformity with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

In accordance with the law, we verified that the management report contains the appropriate disclosures as to the percentage interests and votes held by shareholders.

And/Or

In accordance with the law, we verified that the management report contains appropriate disclosures as to the acquisition of shares and controlling interests.

³³ TRADUCTION EN ANGLAIS DU RAPPORT DU COMMISSAIRE AUX COMPTES: Est donné ci-après un exemple de traduction en langue anglaise du rapport général du commissaire aux comptes destiné à être utilisé lorsqu'il lui est demandé, afin d'en faciliter la lecture par des utilisateurs étrangers, une version en anglais. Il convient, dans telles circonstances, de prendre les précautions suivantes : indiquer clairement qu'il s'agit d'une traduction effectuée à partir du texte français, ne pas signer le rapport ainsi traduit.

³⁴ Shareholders' annual general meeting or other relevant body.

³⁵ For periods other than 12 months (1 year), indicate "the (.... month) period ended".

³⁶ Refer to the relevant body.

Germany

Bestätigungsvermerk des Abschlußprüfers

Ich habe / Wir haben den Jahresabschluß unter Einbeziehung der Buchführung und den Lagebericht der ... Gesellschaft für das Geschäftsjahr vom ... bis ... geprüft. Die Buchführung und die Aufstellung von Jahresabschluß und Lagebericht nach den deutschen handelsrechtlichen Vorschriften (und den ergänzenden Regelungen im Gesellschaftsvertrag / in der Satzung) liegen in der Verantwortung der gesetzlichen Vertreter der Gesellschaft. Meine / Unsere Aufgabe ist es, auf der Grundlage der von mir / uns durchgeführten Prüfung eine Beurteilung über den Jahresabschluß unter Einbeziehung der Buchführung und über den Lagebericht abzugeben.

Ich habe meine / Wir haben unsere Jahresabschlußprüfung nach § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten Grundsätze ordnungsmäßiger Abschlußprüfung vorgenommen. Danach ist die Prüfung so zu planen und durchzuführen, daß Unrichtigkeiten und Verstöße, die sich auf die Darstellung des durch den Jahresabschluß unter Beachtung der Grundsätze ordnungsmäßiger Buchführung und durch den Lagebericht vermittelten Bildes der Vermögens-, Finanz- und Ertragslage wesentlich auswirken, mit hinreichender Sicherheit erkannt werden. Bei der Festlegung der Prüfungshandlungen werden die Kenntnisse über die Geschäftstätigkeit und über das wirtschaftliche und rechtliche Umfeld der Gesellschaft sowie die Erwartungen über mögliche Fehler berücksichtigt. Im Rahmen der Prüfung werden die Wirksamkeit des internen Kontrollsystems sowie Nachweise für die Angaben in Buchführung, Jahresabschluß und Lagebericht überwiegend auf der Basis von Stichproben beurteilt. Die Prüfung umfaßt die Beurteilung der angewandten Bilanzierungsgrundsätze und der wesentlichen Einschätzungen der gesetzlichen Vertreter sowie die Würdigung der Gesamtdarstellung des Jahresabschlusses und des Lageberichts. Ich bin / Wir sind der Auffassung, daß meine / unsere Prüfung eine hinreichend sichere Grundlage für meine / unsere Beurteilung bildet.

Meine / Unsere Prüfung hat zu keinen Einwendungen geführt.

Nach meiner / unserer Überzeugung vermittelt der Jahresabschluß unter Beachtung der Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft. Der Lagebericht gibt insgesamt eine zutreffende Vorstellung von der Lage der Gesellschaft und stellt die Risiken der künftigen Entwicklung zutreffend dar.

(Ort)
(Datum)
(Unterschrift)
Wirtschaftsprüfer

[Independent] Auditor's/Auditors' Report

I/We have audited the annual financial statements, together with the bookkeeping system, and the management report of the Company xxxx for the business year from xxxx to xxxx. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law (and supplementary provisions in the articles of incorporation/partnership agreement) are the responsibility of the Company's management. My/Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on my/our audit.

Appendix 1: Examples of Unmodified Auditor's Reports by Country

I/We conducted my/our audit of the annual financial statements in accordance with § 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. I/We believe that our audit provides a reasonable basis for my/our opinion.

My/Our audit has not led to any reservations.

In my/our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. On the whole the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

(place)
(date)
(signature)
Wirtschaftsprüfer
[German Public Auditor]

**ΠΙΣΤΟΠΟΙΗΤΙΚΟ ΕΛΕΓΧΟΥ ΟΡΚΩΤΟΥ ΕΛΕΓΚΤΗ
Προς τους κ.κ. Μετόχους της Ανώνυμης Βιομηχανικής Εταιρείας «»**

Ελέγξαμε τις ανωτέρω Οικονομικές Καταστάσεις καθώς και το σχετικό Προσάρτημα της Ανώνυμης Εταιρείας «» της εταιρικής χρήσεως που έληξε την 31η Δεκεμβρίου 1998. Ο έλεγχός μας, στα πλαίσια του οποίου λάβαμε και γνώση πλήρους λογιστικού απολογισμού των εργασιών των υποκαταστημάτων της εταιρείας, έγινε σύμφωνα με τις διατάξεις του άρθρου 37 του Κ.Ν. 2190/1920 «περί Ανωνύμων Εταιρειών» και τις ελεγκτικές διαδικασίες που κρίναμε κατάλληλες, βάσει των αρχών και κανόνων ελεγκτικής που ακολουθεί το Σώμα Ορκωτών Ελεγκτών. Τέθηκαν στην διάθεσή μας τα βιβλία και στοιχεία που τήρησε η εταιρεία και μας δόθηκαν οι αναγκαίες για τον έλεγχο πληροφορίες και επεξηγήσεις που ζητήσαμε. Δεν τροποποιήθηκε η μέθοδος απογραφής σε σχέση με την προηγούμενη χρήση και το κόστος παραγωγής που προκύπτει από τα λογιστικά βιβλία προσδιορίστηκε σύμφωνα με τις παραδεγμένες αρχές λογισμού του κόστους. Επαληθεύσαμε τη συμφωνία του περιεχομένου της εκθέσεως Διαχειρίσεως του Διοικητικού Συμβουλίου προς την Τακτική Γενική Συνέλευση των Μετόχων, με τις σχετικές Οικονομικές Καταστάσεις. Το Προσάρτημα περιλαμβάνει τις πληροφορίες που προβλέπονται από την παράγρ. 1 του άρθρου 43α του κωδ.Ν.2190/1920. Από τον παραπάνω έλεγχο μας προέκυψαν τα εξής: Κατά τη γνώμη μας, οι ανωτέρω Οικονομικές Καταστάσεις οι οποίες προκύπτουν από τα βιβλία και στοιχεία της εταιρείας απεικονίζουν μαζί με το Προσάρτημα, αφού ληφθούν υπόψη οι παραπάνω παρατηρήσεις μας, την περιουσιακή διάρθρωση και την οικονομική θέση της εταιρείας κατά την 31η Δεκεμβρίου 1998, καθώς και τα αποτελέσματα της χρήσεως που έληξε αυτή την ημερομηνία, βάσει των σχετικών διατάξεων που ισχύουν και λογιστικών αρχών, οι οποίες έχουν γίνει γενικά παραδεκτές και δεν διαφέρουν από εκείνες που η εταιρεία εφάρμοσε στην προηγούμενη χρήση.

Αθήνα, 1999

Ο ΟΡΚΩΤΟΣ ΛΟΓΙΣΤΗΣ - ΕΛΕΓΚΤΗΣ

**A.M. ΣΟΕ
Σ.Ο.Λ. α.ε.ο.ε.**

**Auditor's Report
to the Shareholders of**

We have audited the above Financial Statements as well as the related Notes on the Accounts of for the year ended December 31, Our examination, within the scope of which we obtained also a full accounting report of the Company's Branch operations, was made in accordance with the requirements of art. 37 of the Companies' Act of Greece (L. 2190/1920) and also in conformity with the standards of auditing followed by the Institute of Certified Auditors in Greece and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have examined the books of account and records kept by your Company and we obtained all the information and explanations which we needed for the purpose of our audit. The Company has applied properly the General Accounting Plan. No change in the inventory valuation method has been made, as compared with that of the previous year and the production cost arisen from the accounting books was determined according to the accepted cost accounting principles.

We have verified that the Directors' (Administrator's) report is consistent with the related Financial Statements. The Notes on the Accounts include the information required by the Companies' Act of Greece (art. 43a, para. 1). It is noted that:

- 1)
- 2)
- 3)
- 4)
- 5)

Appendix 1: Examples of Unmodified Auditor's Reports by Country

In our opinion, taking into consideration the foregoing notes, the above Financial Statements, which are in agreement with the books and records of the Company, together with the Notes on the Accounts, give a true and fair view of the Company's assets, liabilities and financial position as at December 31, 199..., and of the results of its operations for the year ended on that date, in conformity with legal requirements and generally accepted accounting principles applied on a basis consistent with that of the preceding year

Athens, 1999
The Certified Public Accountant-Auditor
SOEL Reg. No.
SOL, S.A. – Certified Auditors

Hungary

Független Könyvvizsgálói Jelentés A ... *Kft./Rt. tulajdonosai/résztvényesei* részére

Elvégeztük a ... *Rt.* 200X. december 31-i mérlegének - melyben az eszközök és források egyező végösszege ...eFt, a mérleg szerinti eredmény ...eFt *nyereség* -, valamint a 200X. évre vonatkozó eredménykimutatásának és kiegészítő mellékletének (továbbiakban, a mérleg, az eredménykimutatás és a kiegészítő melléklet együtt: pénzügyi kimutatás) vizsgálatát, melyeket a Vállalkozás 200X. évi éves beszámolója tartalmaz. Az éves beszámoló elkészítése az ügyvezetés feladata. *A vizsgált éves beszámoló a soron következő éves közgyűlésen történő jóváhagyás céljából készült, s mint ilyen nem tartalmazza a közgyűlésen hozandó döntések esetleges hatásait.* A mi feladatunk a pénzügyi kimutatás hitelesítése könyvvizsgálatunk alapján, valamint annak megítélése, hogy az üzleti jelentésben közölt számviteli információk összhangban vannak-e a pénzügyi kimutatásban foglaltakkal.

A könyvvizsgálatot a Nemzetközi Könyvvizsgálói Szabványok és a Magyarországon a könyvvizsgálatra vonatkozó érvényes törvények és egyéb jogszabályok alapján hajtottuk végre. A fenti szabványok értelmében a könyvvizsgálat tervezése és elvégzése révén kellő bizonyosságot kell szereznünk arról, hogy a pénzügyi kimutatás nem tartalmaz jelentős mértékű tévedéseket. A könyvvizsgálat magában foglalja a pénzügyi kimutatás ténytárait alátámasztó bizonylatok mintavételén alapuló vizsgálatát. Emellett tartalmazza az alkalmazott számviteli alapelvek és az ügyvezetés lényegesebb becsléseinek, valamint a pénzügyi beszámoló összeállításának értékelését. Az üzleti jelentéssel kapcsolatos munkánk a fent említett területre korlátozódott és nem tartalmazza egyéb, a Vállalkozás nem auditált számviteli nyilvántartásaiból levezetett információk áttekintését. Meggyőződésünk, hogy munkánk megfelelő alapot nyújt a független könyvvizsgálói jelentés kiadásához.

Véleményünk szerint az éves beszámolót a számviteli törvényben és az általános számviteli elvekben foglaltak szerint állították össze. Az éves beszámoló a Vállalkozás vagyoni, pénzügyi és jövedelmi helyzetéről megbízható és valós képet ad.

Budapest, 200X.

Partner

Cég neve:

Bejegyzési szám:

Bejegyzett könyvvizsgáló

Bejegyzési szám:

Independent Auditors' Report To the Shareholders / Stockholders of

We have audited the accompanying balance sheet of as at December 31, 200X, which shows total assets of THUF and a profit for the year of THUF, the related profit and loss account for the year then ended and the supplement (collectively "the financial statements") included in the Company's 200X Annual Report. The Annual Report, comprising the financial statements and a Business Report, is the responsibility of the Company's management. This *Annual Report has been prepared for the consideration of members at the forthcoming Members Meeting and does not reflect the effects, if any, of resolutions that might be adopted at that meeting.* Our responsibility is to express an opinion on the financial statements based on our audit. In addition, it is our responsibility to assess whether the accounting information in the Business Report is consistent with that contained in the financial statements.

Appendix 1: Examples of Unmodified Auditor's Reports by Country

We conducted our audit in accordance with International Standards on Auditing and applicable law and regulations in Hungary. 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. Our work with respect to the Business Report was limited to checking it within the aforementioned scope, and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Annual Report has been prepared in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary and gives a true and fair view of the financial position of the Company as at 31 December, 200X and of the results of its operations for the year then ended.

Partner
Company name
Registration No.

Registered Auditor
Registration No.

Ireland

Auditors' Report to the members of XYZ Limited

We have audited the financial statements on pages ...to... which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in page ...

Respective responsibilities of directors and auditors

As described on page...,the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 19... and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 1999.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages .. to ...is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page ..., are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 19... a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Registered Auditors
Date

Address

Italy

• Regulated Audit Firms

Relazione della società di revisione ai sensi dell'art. 156 del D.Lgs. 24.2.1998, n. 58

Agli azionisti della ABC

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio (o consolidato) della società ABC chiuso al La responsabilità della redazione del bilancio compete agli amministratori della società ABC. E' nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.
2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla CONSOB. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio (o consolidato) sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenute nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale. Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comperativi secondo quanto richiesto dalla legge, si fa riferimento alla relazione da noi (o da altro revisore) emessa in data
3. A nostro giudizio, il bilancio d'esercizio (o consolidato) della ABC al ... è conforme alle norme che ne disciplinano i criteri die redazione.

Luogo e data di emissione

Denominazione sociale della società di revisione

Nome cognome e qualifica della persona che sottoscrive

Firma

Auditor's report in accordance with article 156 of law decree n° 58 dated 24 February 1998

To the shareholders of ABC S.p.A.

1. We have audited the (consolidated) financial statements of ABC S.p.A. (the ABC group) as of These financial statements are the responsibility of ABC's directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. 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 the directors. We believe that our audit provides a reasonable basis for our opinion. For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report (the report issued by other auditors) dated

3. In our opinion, the (consolidated) financial statements of ABC S.p.A. (the ABC group) as of ... comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of the Company.

City, Date
 Auditing Firm Name
 Name and Surname
 (Partner)

- **Collegio Sindacale**

Relazione del Collegio dei Sindaci sul bilancio al 31 dicembre 19... ai sensi dell'art. 2429 c.c.

All'assemblea dei Soci della Società XY

Signori Soci,
 abbiamo esaminato il progetto di bilancio d'esercizio della Società XY al 31 dicembre 19... redatto dagli amministratori ai sensi di legge e da questi regolarmente comunicato al Collegio Sindacale unitamente ai prospetti ed agli allegati di dettaglio e alla loro relazione sulla gestione.

Lo stato patrimoniale evidenzia un utile (oppure una perdita) dell'esercizio di Lire e si riassume nei seguenti valori:

Attività	Lire	.....
Passività	Lire	.....
- Patrimonio netto	Lire	.....
- Utile dell'esercizio (o perdita)	Lire	.....
- Conti impegni e rischi ed altri conti d'ordine	Lire	.....
Il conto economico presenta in sintesi, i seguenti valori:		
- Valore della produzione	Lire	.....
- Costi della produzione	Lire	.....
Differenza		
- Proventi ed oneri finanziari	Lire	.....
- Rettifiche di valore di attività finanziarie	Lire	.....
- Proventi ed oneri straordinari	Lire	.....
- Imposte sul reddito	Lire	.....
- Utile (perdita)	Lire	.....

Il nostro esame sul bilancio è stato svolto secondo i principi di comportamento del collegio sindacale raccomandati dal C.N.D.C. e, in conformità a tali principi, abbiamo fatto riferimento alle norme di legge che disciplinano il bilancio di esercizio interpretate ed integrate dai corretti principi contabili enunciati dai Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri e, ove necessario, ai principi contabili internazionali dell'I.A.S.C. – International Accounting Standards Committee.

Lo stato patrimoniale ed il conto economico presentano ai fini comparativi i valori dell'esercizio precedente.

Gli amministratori, nella redazione del bilancio, non hanno derogato alle norme di legge ai sensi dell'art. 2423 c.c..
 (oppure)

Gli amministratori, nella redazione del bilancio, hanno fatto ricorso alla deroga alle norme di legge prevista dall'art. 2423, 4° comma c.c.; la deroga è stata motivata nella nota integrativa ed è stata indicata la sua influenza sulla situazione patrimoniale, finanziaria e sul risultato economico dell'esercizio.

Appendix 1: Examples of Unmodified Auditor's Reports by Country

In particolare (descrizione della deroga).

Il collegio a tale proposito osserva quanto segue:
(oppure)

Gli amministratori, nella redazione del bilancio, hanno fatto ricorso alla deroga alle norme di legge prevista dall'art. 2423 bis, ultimo comma c.c.; la deroga è stata motivata nella nota integrativa ed è stata indicata la sua influenza sulla situazione patrimoniale, finanziaria e sul risultato economico dell'esercizio.

In particolare (descrizione della deroga).

Il collegio a tale proposito osserva quanto segue:

Ai sensi dell'art. 2426 c.c., punto 5, il collegio sindacale ha espresso il proprio consenso (oppure non concorda con) all'iscrizione nell'attivo dello stato patrimoniale di costi di impianto ed ampliamento per Lire, costi di ricerca, di sviluppo e di pubblicità per Lire (in caso di discordanza indicarne i motivi).

Ai sensi dell'art. 2426 c.c., punto 6, il collegio sindacale ha espresso il proprio consenso (oppure non concorda con) all'iscrizione nell'attivo dello stato patrimoniale di un avviamento per Lire (in caso di discordanza indicarne i motivi).

(Segnalazione di eventuali significative deviazioni dalle norme che disciplinano il bilancio interpretate ed integrate dai corretti principi contabili – oltre a quelle eventualmente segnalate ai due paragrafi precedenti – indicandone gli effetti sulle voci dello stato patrimoniale, del conto economico, sul risultato d'esercizio e sul patrimonio netto – questi due ultimi effetti vanno espressi al netto dell'effetto fiscale ove applicabile).

(Segnalazione di eventuali significative deviazioni dai principi di comportamento del collegio sindacale per mancanza di sufficienti elementi probativi o per limitazioni allo svolgimento di procedure di revisione nei casi in cui queste siano ritenute indispensabili).

Il collegio sindacale richiama inoltre l'attenzione dell'assemblea dei soci su quanto segue:

(segnalazione di elementi di incertezza)
(richiami di informativa)

Nel corso dell'esercizio abbiamo proceduto al controllo sulla tenuta della contabilità, al controllo dell'amministrazione ed alla vigilanza sull'osservanza della legge e dell'atto costitutivo, partecipando alle riunioni dell'assemblea del consiglio di amministrazione (e del comitato esecutivo) ed effettuando le verifiche ai sensi dell'art. 2403 c.c..

Sulla base di tali controlli, non abbiamo rilevato violazioni degli adempimenti civilistici, fiscali, previdenziali e statutari.
(oppure)

Nel corso di tali verifiche abbiamo rilevato le seguenti violazioni del c.c., fiscali, in materia previdenziale, statutarie

Nel corso dell'esercizio abbiamo dovuto convocare l'assemblea perché

Ai sensi dell'art. 2408 c.c. Vi informiamo di aver ricevuto le seguenti denunce e di aver svolto in merito le opportune indagini rilevando quanto segue:

A nostro giudizio, il sopramenzionato bilancio, corredato dalla relazione sulla gestione, corrisponde alle risultanze dei libri e delle scritture contabili e la valutazione del patrimonio sociale è stata effettuata in conformità ai criteri dell'art. 2426 del c.c. (in caso di rilievi segnalati nei paragrafi precedenti si inserirà a questo punto: ad eccezione degli effetti di quanto indicato al paragrafo).

Esprimiamo pertanto parere favorevole alla sua approvazione, nonché alla proposta degli amministratori in merito alla destinazione dell'utile d'esercizio (oppure alla sistemazione della perdita d'esercizio).
(oppure)

In merito all'approvazione del bilancio proponiamo quanto segue:

Luogo e data

I SINDACI

..... (Presidente)
 (Sindaco Effettivo)
 (Sindaco Effettivo)

Board of Auditors' report on the financial statements as at Dec. 31, 19 ... in compliance with art. 2429 of the Civil Code

To the shareholders' meeting of the XY Company

Dear Sirs,
 we have examined the draft annual accounts of the XY Company as at Dec. 31, 19 ... drawn up by the directors in compliance with the law and duly communicated by them to the Board of Auditors together with the statements and detailed schedules and their report on management.
 The statement of assets and liabilities shows an operating profit (or loss) of L and is summarised in the following values:

ASSETS	L
LIABILITIES	L
- NET WORTH	L
- OPERATING PROFIT (OR LOSS)	L
- ENDORSEMENT AND RISKS ACCOUNTS AND SUNDRY MEMORANDUM ACCOUNTS	L
The profit and loss account presents, in short, the following values:	
- VALUE OF PRODUCTION	L
- PRODUCTION COSTS	L
Difference	
- FINANCIAL PROCEEDS AND EXPENSES	L
- VALUE ADJUSTMENTS - OF FINANCIAL ACTIVITIES	L
- EXTRAORDINARY PROCEEDS - AND EXPENSES	L
- INCOME TAXES	L
- PROFITS (LOSSES)	L

Appendix 1: Examples of Unmodified Auditor's Reports by Country

Our audit of the financial statements was conducted in accordance with the principles of professional behaviour of the Board of Auditors endorsed by the CNDC and in compliance with said principles, we have followed the provisions of law that govern the annual accounts, interpreted and integrated by the correct accounting principles enunciated by the Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri and, if necessary, the international accounting standards of the IASC International Accounting Standards Committee.

The statement of assets and liabilities and the profit and loss account present, for comparative purposes, the values of the previous period.

The directors, in drawing up the financial statements, have not failed to conform to the law, in compliance with art. 2423 of the Civil Code.

(or)

The directors, in drawing up the financial statements, have resorted to the derogation of the provisions of law provided for by art. 2423, subsection 4 of the Civil Code; the derogation has been disclosed in the notes to the financial statements and its effect on the statement of assets and liabilities, the financial status and the operating profit has been shown.

In particular(description of the derogation).

The board, to this regard observes as follows

(or)

The directors, in drawing up the financial statements, have resorted to the derogation of the provisions of law provided for by art. 2423-bis, last subsection of the Civil Code., the derogation has been disclosed in the notes to the financial statements and its effect on the statement of assets and liabilities, the financial situation and the operating profit has been shown.

In particular(description of the derogation).

The board, to this regard, observes as follows:

In compliance with art. 2426, point 5 of the Civil Code, the Board of Auditors has expressed its agreement (or disagreement) to the recording on the assets side of the statement of assets and liabilities of the costs for setting up and business expansion totalling L costs for R&D and advertising totalling L (in case of disagreement, state the reasons).

In compliance with art. 2426, point 5 of the Civil Code, the Board of Auditors has expressed its agreement (or disagreement) to the recording on the assets side of the statement of assets and liabilities of goodwill totalling L (in case of disagreement, state the reasons).

(Reporting eventual significant deviations from the rules that govern the financial statements, interpreted and integrated by the correct accounting principles in addition to those eventually reported in the two previous paragraphs - indicating the effects on the items of the statement of assets and liabilities, the profit and loss account, the operating profit and the net worth - these two latter effects are expressed after-tax, if applicable).

(Reporting eventual significant deviations from the principles of professional behaviour of the Board of Auditors due to the lack of sufficient probative elements or for limitations to the conduct of auditing procedures, in the cases in which they are deemed necessary).

Furthermore, the Board of Auditors calls the attention of the shareholders, meeting to the following:

(Reporting elements of uncertainty).
(calls in the report).

During the financial year, we have conducted the audit on the accounting, the control of management and the supervision of compliance with the law and the articles of association, attending the meetings of the board of directors (and of the executive committee) and conducting the audit in compliance with art. 2403 of the Civil Code.

On the basis of said controls, we have not found any violations of Civil Code, fiscal, social security, welfare and statutory compliance.

(or)

During said audits, we have found the following violations of the Civil Codefiscal, social security and statutory

During the financial year, duty has compelled us to convene the meeting, since

In compliance with art. 2408 of the Civil Code, we inform you that we have received the following denunciations, and we have carried out, to this regard, the appropriate inquiries, reporting the following:

.....

In our opinion, the aforementioned financial statements, accompanied by the report on management, agree with the results in the books and in the accounting records, and the evaluation of the net worth has been carried out in accordance with the criteria in art. 2426 of the Civil Code (in case of remarks underlined in the previous paragraphs, at this point, the following will be added : with the exception of the effects of what is stated at paragraph).

Hence, we express a favourable opinion to its approval, as well as to the directors' proposal on the allocation of the operating profit (or to the settlement of the operating loss).

(or)

As for the approval of the financial statements, we suggest the following.

.....

Place and Date

The auditors

..... (President)

..... (Regular auditor)

..... (Regular auditor)

Appendix 1: Examples of Unmodified Auditor's Reports by Country

Luxembourg

Rapport du Réviseur d'Entreprises³⁷

Aux Actionnaires de
Au Conseil d'Administration
A la Direction

[Conformément au mandat donné par l'Assemblée Générale des actionnaires (le Conseil d'Administration) du (date)]³⁸, nous avons contrôlé les comptes annuels ci-joints de (désignation de l'entité révisée) pour l'exercice se terminant le (date) (la période du ... au ...)³⁹ et avons pris connaissance du rapport de gestion y relatif⁴⁰. Les comptes annuels et le rapport de gestion relèvent de la responsabilité du Conseil d'Administration/de la Direction. Notre responsabilité est, sur base de nos travaux de révision, d'exprimer une opinion sur ces comptes annuels et de vérifier la concordance du rapport de gestion avec ceux-ci.

Nous avons effectué nos travaux de révision selon les normes internationales de révision. Ces normes requièrent que nos travaux de révision soient planifiés et exécutés de façon à obtenir une assurance raisonnable que les comptes annuels ne comportent pas d'anomalies significatives. Une mission de révision consiste à examiner, sur base de sondages, les éléments probants justifiant les montants et informations contenus dans les comptes annuels.

Elle consiste également à apprécier les principes et méthodes comptables suivis et les estimations significatives faites par le Conseil d'Administration/la Direction pour l'arrêté des comptes annuels, ainsi qu'à effectuer une revue de leur présentation d'ensemble. Nous estimons que nos travaux de révision forment une base raisonnable à l'expression de notre opinion.

A notre avis les comptes annuels ci-joints présentent, en conformité avec les prescriptions légales et réglementaires en vigueur au Luxembourg, une image fidèle du patrimoine et de la situation financière de (désignation de l'entité révisée) au (date) ainsi que des résultats de l'exercice (de la période) (³⁹) se terminant à cette date.

Le rapport de gestion est en concordance avec les comptes annuels.

Réviseur d'entreprises
Luxembourg, le (date)

Auditor's Report⁴¹

The Shareholders,
The Board of Directors,
The Management,

[Following our appointment by the General Meeting of the Shareholders (the Board of Directors) dated (date)]⁴², we have audited the accompanying annual accounts of the (name of the entity) for the year ended (date) (the period from ...to....)⁴³, and have read the related management report⁴⁴. These annual accounts and the management report are the responsibility of the Board of

³⁷ Sociétés Commerciales, Banques, Assurances.

³⁸ Phrase facultative.

³⁹ Utiliser le terme période lorsque celle-ci est inférieure à 12 mois.

⁴⁰ Il est conseillé de joindre le rapport de gestion au rapport de révision et aux comptes annuels.

⁴¹ Commercial Companies, Banks and Insurance Companies.

⁴² Optional sentence.

⁴³ Use "period" when the period is smaller than 12 months.

⁴⁴ It is recommended to enclose the management report with the annual accounts.

Directors (the Management). Our responsibility is to express an opinion on these annual accounts based on our audit and to check the consistency of the management report with them.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached annual accounts give, in conformity with the Luxembourg legal and regulatory requirements, a true and fair view of the financial position of (name of the entity) as of (date) and of the results of its operations for the year (the period) then ended.

The management report is in accordance with the annual accounts.

Réviseur d'Entreprises

Luxembourg, (date)

⁴⁵ This translation from Norwegian has been prepared for information purposes only.

Appendix 1: Examples of Unmodified Auditor's Reports by Country

Malta

Report of the Auditors' to the members of

We have audited the financial statements set out on pages ... to

Responsibilities of Directors and Auditors

These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements, based on our audit and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. These 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company as at 31st December 1999 and of its profit and cash flows for the year then ended in accordance with International Accounting Standards and comply with the Companies Act, 1995.

Auditor's name
For and on behalf of Audit Firm's name
Certified Public Accountants and Auditors
Malta
Date

The Netherlands Accountantsverklaring

Opdracht

Wij hebben de (in dit rapport/verslag opgenomen) jaarrekening 19XX van ... (naam huishouding) te ...(statutaire vestigingsplaats) gecontroleerd. De jaarrekening is opgesteld onder verantwoordelijkheid van de leiding van de huishouding. Het is onze verantwoordelijkheid een accountantsverklaring inzake de jaarrekening te verstrekken.

Werkzaamheden

Onze controle is verricht overeenkomstig algemeen aanvaarde richtlijnen met betrekking tot controleopdrachten. Volgens deze richtlijnen dient onze controle zodanig te worden gepland en uitgevoerd, dat een redelijke mate van zekerheid wordt verkregen dat de jaarrekening geen onjuistheden van materieel belang bevat. Een controle omvat onder meer een onderzoek door middel van deelwaarnemingen van informatie ter onderbouwing van de bedragen en de toelichtingen in de jaarrekening. Tevens omvat een controle een beoordeling van de grondslagen voor financiële verslaggeving die bij het opmaken van de jaarrekening zijn toegepast en van belangrijke schattingen die de leiding van de huishouding daarbij heeft gemaakt, alsmede een evaluatie van het algehele beeld van de jaarrekening. Wij zijn van mening dat onze controle een deugdelijke grondslag vormt voor ons oordeel.

Oordeel

Wij zijn van oordeel dat de jaarrekening een getrouw beeld geeft van de grootte en de samenstelling van het vermogen op 31 december 19XX en van het resultaat over 19XX in overeenstemming met algemeen aanvaarde grondslagen voor financiële verslaggeving en voldoet aan de wettelijke bepalingen inzake de jaarrekening zoals opgenomen in Titel 9 Boek 2 BW.

Plaats, datum
Ondertekening

Auditor's Report

Introduction

We have audited the (accompanying) financial statements of ... (name), ... (statutory seat) for the year 19XX (as included in this report). These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. 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

Appendix 1: Examples of Unmodified Auditor's Reports by Country

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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 19XX and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

Place, date

Auditor's signature

Norway

"Til generalforsamlingen i ABC AS/ASA/etc. Revisjonsberetning for XXXX

Vi har revidert årsregnskapet for ABC AS/ASA/etc for regnskapsåret XXXX, som viser et overskudd/underskudd på kr xxx (for morselskapet og et årsoverskudd/underskudd på kr xxx for konsernet). Vi har også revidert opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til anvendelse av overskuddet/dekning av underskuddet. Årsregnskapet består av resultatregnskap, balanse, kontantstrømoppstilling, noteopplysninger (og konsernregnskap). Årsregnskapet og årsberetningen er avgitt av selskapets styre og daglig leder. Vår oppgave er å uttale oss om årsregnskapet og øvrige forhold i henhold til revisorlovens krav.

Vi har utført revisjonen i samsvar med revisorloven og god revisjonsskikk. God revisjonsskikk krever at vi planlegger og utfører revisjonen for å oppnå betryggende sikkerhet for at årsregnskapet ikke inneholder vesentlig feilinformasjon. Revisjon omfatter kontroll av utvalgte deler av materialet som underbygger informasjonen i årsregnskapet, vurdering av de benyttede regnskapsprinsipper og vesentlige regnskapsestimer, samt vurdering av innholdet i og presentasjonen av årsregnskapet. I den grad det følger av god revisjonsskikk, omfatter revisjon også en gjennomgåelse av selskapets formuesforvaltning og regnskaps- og intern kontroll-systemer. Vi mener at vår revisjon gir et forsvarlig grunnlag for vår uttalelse.

Vi mener at

- årsregnskapet er avgitt i samsvar med lov og forskrifter og gir et uttrykk for selskapets (og konsernets) økonomiske stilling 31. desember xxxx og for resultatet og kontantstrømmene i regnskapsåret i overensstemmelse med god regnskapsskikk
- ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av regnskapsopplysninger i samsvar med lov og god regnskapsskikk
- opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til anvendelse av overskuddet/dekning av underskuddet er konsistente med årsregnskapet og er i samsvar med lov og forskrifter.

(Sted og dato)

(Revisors underskrift og tittel)"

"To the Annual Shareholders' Meeting of ABC AS Auditor's Report for XXXX⁴⁵

We have audited the annual financial statements of the ABC AS as of 31 December XXXX, showing a profit/loss of NOK xxx for the parent company and a profit/loss of NOK xxx for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit/coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Appendix 1: Examples of Unmodified Auditor's Reports by Country

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice. Good auditing practice 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. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of December 31, XXXX, and the results of its operations and its cash flows for the year then ended, in accordance with good accounting practice
- the Company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good accounting practice
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit/coverage of the loss are consistent with the financial statements and comply with the law and regulations.

(Place and date)

(The auditor's name and title)"

Portugal

Certificação Legal das Contas

Introdução

1. Examinei as demonstrações financeiras anexas de ... (a), as quais compreendem o Balanço em ... (b), (que evidencia uma total de balanço de contos e um total de capital próprio (c) de contos, incluindo um resultado líquido (c) de ... contos), as Demonstrações dos resultados por naturezas e funções e a Demonstração dos fluxos de caixa do exercício findo naquela data, e os correspondentes Anexos (d).

Responsabilidades

2. É da responsabilidade de ... (e) a preparação de demonstrações financeiras que apresentem de forma verdadeira e apropriada a posição financeira da Empresa e o resultado das suas operações, bem como a adopção de políticas e critérios contabilísticos adequados e a manutenção de um sistema de controlo interno apropriado.
3. A minha responsabilidade consiste em expressar uma opinião profissional e independente, baseada no meu exame daquelas demonstrações financeiras.

Âmbito

4. (f) O exame a que procedi foi efectuado de acordo com as Normas e Directrizes Técnicas da Ordene dos Revisores Oficiais de Contas, as quais exigem que o mesmo seja planeado e executado com o objectivo de obter um grau de segurança aceitável sobre se as demonstrações financeiras estão isentas de distorções materialmente, relevantes. Para tanto o referido exame incluiu:
 - a verificação, numa base de amostragem, do suporte das quantias e divulgações constantes das demonstrações financeiras e a avaliação das estimativas, baseadas em julgos e critérios definidos por ... (e), utilizadas na sua preparação;
 - a apreciação sobre se são adequadas as políticas contabilísticas adaptadas e a sua divulgação, tendo em conta as circunstâncias;
 - a verificação da aplicabilidade do princípio da continuidade; e
 - a apreciação sobre se é adequada, em termos globais, a apresentação das demonstrações financeiras.
5. Entendo que o exame efectuado proporciona uma base aceitável para a expressão da minha opinião.

Reservas (se aplicável)

6. (Descrição das reservas)

Opinico

7. (g) (h) Em minha opinião, as demonstrações financeiras referidas apresentam de forma verdadeira e apropriada, em todos os aspectos materialmente relevantes, a posição financeira ... (a) em ... (b), o resultado das suas operações e os fluxos de caixa (i) no exercício findo naquela data, em conformidade com os princípios contabilísticos ... (j).

Ênfases (se aplicável)

8. (k) (Descrição das ênfases)
(Data)
(Assinatura)
(Nome)

Appendix 1: Examples of Unmodified Auditor's Reports by Country

Legendas:

- (a) Denominação da entidade.
- (b) Data a que se referem as demonstrações financeiras.
- (c) Quando negativo, acrescentar: negativo.
- (d) Eliminar a referência às demonstrações financeiras que eventualmente não tenham sido preparadas.
- (e) Identificar o órgão de gestão.
- (f) Quando haja lugar a reservas por limitação do âmbito, iniciar este parágrafo com a expressão constante do parágrafo 45 da presente DT.
- (g) Quando haja lugar a reservas por limitação do âmbito ou por desacordo, iniciar este parágrafo com as expressões constantes do n.º i) ou do n.º ii), respectivamente, do parágrafo 46 da presente DT.
- (h) Quando haja lugar a uma escusa de opinião, redigir este parágrafo nos termos do parágrafo 48 da presente DT, e quando haja lugar a uma opinião adversa, iniciar este parágrafo com a expressão constante, do parágrafo 50.
- (i) Eliminar a expressão "e os fluxos de caixa" quando a respectiva Demonstração e seu Anexo não tenham sido preparados.
- (j) Indicar, consoante o aplicável:
" ... geralmente aceites"
ou
" geralmente aceites em Portugal para o sector ... (indicar o sector).
- (k) Iniciar este parágrafo ou redigi-lo nos termos dos parágrafos 36 e 37 da presente DT.

Statutory Audit Certification

Introduction

1. I have examined the accompanying annual financial statements of ...(a), comprising the balance sheet at ...(b), (which reflects a total of PTE ... thousand and total shareholders' equity (c) of PTE ... thousand, including net income/loss (c) of PTE ... thousand), the income statements by nature and by function, and the cash flow statement for the year then ended, and the respective notes thereto (d).

Responsibilities

2. The ...(e) is responsible for the preparation of financial statements which present a true and fair view of the Company's financial position and the results of its operations. This responsibility also extends to the adoption of appropriate accounting policies and criteria, as well as the maintenance of a proper internal control system.
3. My responsibility is to express a professional and independent opinion based on my audit of the above-mentioned financial statements.

Scope

4. (f) My audit was conducted in accordance with the Technical Standards and Guidelines issued by the Ordem dos Revisores Oficiais de Contas, which require that the audit be planned and performed in such a manner as to obtain an reasonable level of assurance that the financial statements do not contain material misstatements. To this end, my audit included:
 - an examination, on a test basis, of the evidence supporting the amounts disclosed in the financial statements and an assessment of the reasonableness of estimates, based on judgements and criteria defined by ...(e), used in their preparation;

- an evaluation of the appropriateness of the accounting policies adopted and their disclosure, taking into account the circumstances;
 - verification of the applicability of the going concern principle; and
 - a consideration of the adequacy of the overall presentation of the financial statements.
5. I believe that the audit performed provides an acceptable basis for expressing my opinion.

Qualifications (where applicable)

6. Details of any qualifications.

Opinion

7. (g) (h) In my opinion, the financial statements present, in all material respects, a true and fair view of the financial position of ... (a) at ... (b), the results of its operations and its cash flows (i) for the year then ended, in accordance with the ... (j) accounting principles.

Emphasis of matter(s) (if applicable)

8. (k) (Details of the emphasis of matter(s))....

(Date)
 (Signature)
 (Name)

Captions

- (a) Name of the entity
- (b) Date to which the annual financial statements have been drawn up (reporting period)
- (c) When negative, add: negative
- (d) Eliminate the reference to the financial statements that have not been prepared.
- (e) Identify the management body.
- (f) Where a qualification due to scope limitation is applicable, commence this paragraph with the wording set out in paragraph 45 of this TG (technical guidelines).
- (g) Where a qualification due to scope limitation or disagreement is applicable, commence this paragraph with the wording contained in paragraph 46(i) or (ii) of this TG.
- (h) In cases where the expression of an opinion is impossible (disclaimer), re-word this paragraph as set out in paragraph 48 of this TG, and where an adverse opinion is applicable, commence this paragraph with the wording set out in paragraph 50.
- (i) Eliminate the words "and its cash flows" when the respective statement and notes thereto have not been prepared.
- (j) Indicate, where applicable:
 "....." generally accepted"
 or
 "generally accepted in Portugal for the sector (indicate which sector)"
- (k) Commence this paragraph or re-word it in accordance with paragraphs 36 and 37 of this TG

Romania

Raport de Audit Financiar si Certificare a Bilantului Contabil pe anul ...

Noi am procedat la auditarea conturilor anuale (bilantului contabil al societatii ..., incheiat la 31 decembrie 19..., si a contului de profit si pierdere si anexelor) pentru exercitiul incheiat la aceasta data, care se refera la total bilant ... mii lei, cifra de afaceri ... mii lei, rezultatul exercitiului ... mii lei. Aceste conturi anuale au fost stabilite sub responsabilitatea conducerii (directiunii). Responsabilitatea noastra este ca, pe baza auditului nostru, sa exprimam o opinie asupra acestor conturi anuale.

Noi am efectuat auditul nostru conform Normelor de audit financiar si certificare a bilantului contabil, elaborate de Corpul Expertilor Contabili si Contabililor Autorizati din Romania, aliniate la standardele europene si internationale. Aceste norme cer ca auditul nostru sa fie planificat si executat astfel incat sa obtinem o asigurare rezonabila ca conturile anuale nu comporta anomalii semnificative. Un audit consta in a examina, pe baza de sondaje, elementele probante care sa justifice sumele si informatiile continute in conturile anuale. El consta, de asemenea, atat in evaluarea principiilor si metodelor contabile folosite si estimarilor semnificative facute de catre conducerea societatii pentru inchiderea conturilor anuale, cat si in efectuarea unor revederi ale prezentarii de ansamblu a acesteia. Noi estimam ca auditul efectuat furnizeaza o baza rezonabila exprimarii opiniei noastre.

Dupa parerea noastra, conturile anuale dau o imagine fidela (sau prezinta de o maniera fidela in toate aspectele semnificative) situatiei financiare a societatii la 31 decembrie 19... cat si contului de profit si pierdere si fluxului de trezorerie pentru exercitiul incheiat la aceasta data, in conformitate cu normele internationale si/sau nationale si sunt conforme cu prevederile legale si/sau statutare.

Auditor,
Data:
Adresa:

Auditor's Report

We have audited the accompanying balance sheet of the ... Company as of December 31, ..., and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards issued by the Body of Expert and Licensed Accountants of Romania (CECCAR). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 give a true and fair view of the financial position of the Company as of December 31, ..., and of the results of its operations and its cash flows for the year then ended in accordance with the national accounting principles and legal requirements.

Auditor,
Date:
Place:

Slovenia

Standardno Mnenje Pooblaščenega Revizorja

Naslovnik: Delničarji (Družbeniki) / Upravni odbor podjetja XYZ

Revidirali smo izkaz stanja podjetja XYZ z dne 31. decembra 19.. ter z njim povezane izkaz uspeha, izkaz sprememb kapitala in izkaz gibanja finančnih tokov za poslovno leto, ki se je končalo na isti dan. Prebrali smo tudi poslovno poročilo posloводства z dne 31. decembra 19... Za našete računovodske izkaze je odgovorno posloводство podjetja. Naša odgovornost je, da izrazimo mnenje o njih.

Revidirali smo v skladu s temeljnimi revizijskimi načeli in mednarodnimi revizijskimi standardi. Po teh načelih in standardih smo bili dolžni načrtovati in izvesti revidiranje tako, da bi si pridobili razumno zagotovilo, da računovodski izkazi ne vsebujejo pomembnejših napačnih prikazov. V okviru revizije smo preiskali dokaze, ki podpirajo zneske in razkritja v računovodskih izkazih. Ocenili smo tudi računovodske standarde in pomembnejše metode izkazovanja vrednosti v računovodskih izkazih, ki jih je uporabilo posloводство, ter ovrednotili razkritja v računovodskih izkazih. Prepričani smo, da je opravljena revizija dobra podlaga za mnenje o računovodskih izkazih.

Po našem mnenju računovodski izkazi, našeti v prvem odstavku, v vseh pomembnejših pogledih podajajo resnično in pošteno sliko finančnega stanja podjetja XYZ na dan 31. decembra 19.. in izidov njegovega poslovanja ter gibanja finančnih tokov v letu, ki se je končalo z navedenim datumom, v skladu s slovenskimi računovodskimi standardi. Poslovno poročilo posloводства je skladno z revidiranimi računovodskimi izkazi.

Kraj in datum

Ime in priimek pooblaščenega revizorja

Podpis

Žig

Standard Certified Auditor's Opinion

To the Owners (Shareholders) and/or Board of Directors of "XYZ Company"

We have audited the accompanying balance sheet of "XYZ Company" as of December 31, 19.. and the related income statement, statement of changes in equity and cash flow statement for the year then ended. We have also read the management's report as of December 19... These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with basic auditing principles promulgated by Slovenian Institute of Auditors and international auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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.

Appendix 1: Examples of Unmodified Auditor's Reports by Country

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of "XYZ Company" as of December 31, 19.. and the results of its operations and its cash flows for the year then ended in conformity with Slovenian accounting standards. The management's report is in compliance with the audited financial statements.

Ljubljana (place), (date of completion of field work)

Name of Partner, Certified Auditor

Signature

(Audit Company's Stamp)

Spain

Informe de Auditoría Independiente de Cuentas Anuales A los Accionistas de Sociedad XYZ, S. A., por encargo de⁴⁶:

Hemos auditado las cuentas anuales de Sociedad XYZ, S.A. que comprenden el balance de situación al 31 de diciembre de 19XX, la cuenta de pérdidas y ganancias y la memoria correspondientes al ejercicio anual terminado en dicha fecha, cuya formulación es responsabilidad de los administradores de la Sociedad. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales en su conjunto, basada en el trabajo realizado de acuerdo con las normas de auditoría generalmente aceptadas, que requieren el examen, mediante la realización de pruebas selectivas, de la evidencia justificativa de las cuentas anuales y la evaluación de su presentación, de los principios contables aplicados y de las estimaciones realizadas.

De acuerdo con la legislación mercantil, los administradores presentan, a efectos comparativos, con cada una de las partidas del balance, de la cuenta de pérdidas y ganancias y del cuadro de financiación, además de las cifras del ejercicio 19XX, las correspondientes al ejercicio anterior. Nuestra opinión se refiere exclusivamente a las cuentas anuales del ejercicio 19XX. Con fecha ... emitimos (otros auditores emitieron) nuestro (su) informe de auditoría acerca de las cuentas anuales del ejercicio 19XX-1 en el que expresamos (expresaron) una opinión

En nuestra opinión, las cuentas anuales del ejercicio 19XX adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de Sociedad XYZ, S.A. al 31 de diciembre de 19XX y de los resultados de sus operaciones y de los recursos obtenidos y aplicados durante el ejercicio anual terminado en dicha fecha y contienen la información necesaria y suficiente para su interpretación y comprensión adecuada de conformidad con principios y normas contables generalmente aceptados que guardan uniformidad con los aplicados en el ejercicio anterior.

El informe de gestión adjunto del ejercicio 19XX, contiene las explicaciones que los administradores consideran oportunas sobre la situación de la Sociedad, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales del ejercicio 19XX. Nuestro trabajo como auditores se limita a la verificación del informe de gestión con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de la Sociedad.

Nombre del Auditor o de la Sociedad de Auditoría de cuentas.

Firma del Auditor o del Socio Responsable de este Informe.

Fecha.

Independant Audit Report on the Annual Accounts To the shareholders of Company XY at the request of...(47)...

We have audited the annual accounts of Company XY, S.A. consisting of the Balance sheets as at 31 December 19XX, the profit and loss accounts and the notes to the accounts for the year then ended, the preparation of which is responsibility of the Directors of the Company. Our responsibility is to express an opinion on the accounts taken as a whole, based on the work carried out in accordance with auditing standards generally accepted which require the

⁴⁶ Esta mención puede ser omitida cuando el nombramiento del auditor haya sido efectuado por la Junta de Accionistas de la Sociedad.

⁴⁷ This may be omitted when the auditor has been appointed by the shareholders annual General Meeting.

Appendix 1: Examples of Unmodified Auditor's Reports by Country

examination, on a test basis, of evidence supporting the accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

In accordance with Spanish Corporate Law, the Company's Directors has presented, for comparative purposes only, for each item of the balance sheet, the profit and loss account and statement of source and application of funds, the corresponding amounts for the previous year as well as the amounts for 19xx-1. Our opinion refers exclusively to the annual accounts for 19xx. On... 19xx, we *(another firm of auditors)* issued our *(their)* audit report on the 19xx-1 annual accounts, in which we *(they)* expressed an unqualified opinion *(a qualified/adverse opinion/which contained a disclaimer of opinion)*.

In our opinion, the accompanying annual accounts for the year 19xx present fairly, in all material respects, the financial position of XY, S.A. at December 31, 19xx and the results of its operations and its source and application of funds for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying Directors' Report for 19xx contains the information that the company's Directors consider relevant to the company's position, the evolution of its business and of other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the aforementioned Directors' Report coincides with that of the annual accounts for 19xx. Our work as auditors is limited to checking the Director's Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the company's accounting records.

Name of the auditor or the Audit firm

Signature of the auditor or partner responsible for this report

Date

Sweden

Revisionsberättelse

Till bolagsstämman i Organisationsnummer 556000-0000

Jag (Vi) har granskat årsredovisningen och bokföringen samt styrelsens och verkställande direktörens förvaltning i för år ÅÅÅÅ (räkenskapsåret ...). Det är styrelsen och verkställande direktören som har ansvaret för räkenskapshandlingarna och förvaltningen. Mitt (Vårt) ansvar är att uttala mig (oss) om årsredovisningen och förvaltningen på grundval av min (vår) revision.

Revisionen har utförts i enlighet med god revisions sed i Sverige. Det innebär att jag (vi) planerat och genomfört revisionen för att i rimlig grad försäkra mig (oss) om att årsredovisningen inte innehåller väsentliga fel. En revision innefattar att granska ett urval av underlagen för belopp och annan information i räkenskapshandlingarna. I en revision ingår också att pröva redovisningsprinciperna och styrelsens och verkställande direktörens tillämpning av dem samt att bedöma den samlade informationen i årsredovisningen. Som underlag för mitt (vårt) uttalande om ansvarsfrihet har jag (vi) granskat väsentliga beslut, åtgärder och förhållanden i bolaget för att kunna bedöma om någon styrelseledamot eller verkställande direktören är ersättningskyldig mot bolaget. Jag (Vi) har även granskat om någon styrelseledamot eller verkställande direktören på annat sätt har handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen. Jag (Vi) anser att min (vår) revision ger mig (oss) rimlig grund för mina (våra) uttalanden nedan.

Årsredovisningen har upprättats i enlighet med årsredovisningslagen och ger därmed en rättvisande bild av bolagets resultat och ställning i enlighet med god redovisningssed i Sverige.

(Särskild förteckning över lån och säkerheter har upprättats i enlighet med vad som föreskrivs i aktiebolagslagen.)

Jag (Vi) tillstyrker att bolagsstämman fastställer resultaträkningen och balansräkningen, disponerar (behandlar) vinsten (förlusten) enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Ort den DD månad ÅÅÅÅ

A.A.

Auktoriserad revisor

Audit Report

To the general meeting of the shareholders of ...

Corporate identity number 556000-0000

I (We) have audited the annual accounts, the accounting records and the administration of the board of directors and the managing director of ... for the year YYYY (the financial year ...). These accounts and the administration of the company are the responsibility of the board of directors and the managing director. My (Our) responsibility is to express an opinion on the annual accounts and the administration based on my (our) audit.

I (We) conducted my (our) audit in accordance with good auditing practice [generally accepted auditing standards] in Sweden. Those standards require that I (we) plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application

Appendix 1: Examples of Unmodified Auditor's Reports by Country

by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts. As a basis for my (our) opinion concerning discharge from liability, I (we) examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. I (We) also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I (We) believe that my (our) audit provides a reasonable basis for my (our) opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's financial position and results of operations in accordance with good accounting practice [generally accepted accounting principles] in Sweden.

(A separate list of loans and collateral has been prepared in accordance with the stipulations in the Companies Act).

I (We) recommend to the general meeting of shareholders that the income statement and balance sheet be adopted, that the profit (loss) be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Place and date

(signature on original document)

A.A.

Auktoriserad revisor (Authorised Public Accountant)

Switzerland

Rapport de l'organe de révision à l'Assemblée générale des actionnaires de [Nom de la société, lieu]

En notre qualité d'organe de révision, nous avons vérifié la comptabilité et les comptes annuels (bilan, compte de profits et pertes et annexe^{48 49}) de [nom de la société] pour l'exercice arrêté⁵⁰ au ... (date)^{51 52}.

La responsabilité de l'établissement des comptes annuels incombe au conseil d'administration alors que notre mission consiste à vérifier ces comptes et à émettre une appréciation les concernant. Nous attestons que nous remplissons les exigences légales de qualification et d'indépendance.

Notre révision a été effectuée selon les normes de la profession. Ces normes requièrent de planifier et de réaliser la vérification de manière telle que des anomalies significatives dans les comptes annuels puissent être constatées avec une assurance raisonnable. Nous avons révisé les postes des comptes annuels et les indications fournies dans ceux-ci en procédant à des analyses et à des examens par sondages. En outre, nous avons apprécié la manière dont ont été appliquées les règles relatives à la présentation des comptes, les décisions significatives en matière d'évaluation, ainsi que la présentation des comptes annuels dans leur ensemble. Nous estimons que notre révision constitue une base suffisante pour former notre opinion.

Selon notre appréciation, la comptabilité et les comptes annuels (ainsi que la proposition relative à l'emploi du bénéfice au bilan)⁵³ sont conformes à la loi et aux statuts.

Nous recommandons d'approuver les comptes annuels qui vous sont soumis.

RAISON SOCIALE

Réviseur 1

Réviseur 2

Réviseurs responsables

Annexes⁴⁸:

Comptes annuels (bilan, compte de profits et pertes et annexe).

Proposition relative à l'emploi du bénéfice au bilan.

Lieu et date

⁴⁸ Si le rapport de l'organe de révision est reproduit dans le rapport de gestion, on mentionnera de la manière suivante le nombre de pages: «pp ... à ...». La référence aux annexes sera, dans ce cas, supprimée.

⁴⁹ Pour les banques qui publient un tableau de financement selon l'art. 25b de l'Ordonnance sur les banques, celui-ci sera indiqué à cet endroit.

⁵⁰ Si l'exercice est d'une durée différente de 12 mois, inscrire ici la mention «exercice portant sur la période du ... au ...».

⁵¹ En cas d'écart important entre la date d'expédition du rapport et celle de l'achèvement des travaux de révision, il faut inclure la phrase suivante: «Nos travaux de révision ont été achevés le ... 20.. ».

⁵² Si les comptes annuels de l'exercice précédent ont été vérifiés par d'autres réviseurs, il faut en faire état par l'adjonction de la mention: «Les indications de l'exercice précédent mentionnées dans les comptes annuels ont été vérifiées par un autre organe de révision».

⁵³ Biffer le cas échéant.

Appendix 1: Examples of Unmodified Auditor's Reports by Country

Bericht der Revisionsstelle an die Generalversammlung der(Gesellschaftsname, Ort)

Als Revisionsstelle haben wir die Buchführung und die Jahresrechnung (Bilanz, Erfolgsrechnung und Anhang)^{54 55} der(Name der Gesellschaft) für das am(Datum) abgeschlossene Geschäftsjahr⁵⁶ geprüft^{57 58}.

Für die Jahresrechnung ist der Verwaltungsrat verantwortlich, während unsere Aufgabe darin besteht, diese zu prüfen und zu beurteilen. Wir bestätigen, dass wir die gesetzlichen Anforderungen hinsichtlich Befähigung und Unabhängigkeit erfüllen.

Unsere Prüfung erfolgte nach den Grundsätzen des Berufsstandes, wonach eine Prüfung so zu planen und durchzuführen ist, dass wesentliche Fehlaussagen in der Jahresrechnung mit angemessener Sicherheit erkannt werden. Wir prüften die Posten und Angaben der Jahresrechnung mittels Analysen und Erhebungen auf der Basis von Stichproben. Ferner beurteilten wir die Anwendung der massgebenden Rechnungslegungsgrundsätze, die wesentlichen Bewertungsentscheide sowie die Darstellung der Jahresrechnung als Ganzes. Wir sind der Auffassung, dass unsere Prüfung eine ausreichende Grundlage für unser Urteil bildet.

Gemäss unserer Beurteilung entsprechen die Buchführung und die Jahresrechnung sowie der Antrag über die Verwendung des Bilanzgewinnes⁵⁹ Gesetz und Statuten.

Wir empfehlen, die vorliegende Jahresrechnung zu genehmigen.

FIRMA

Prüfer 1

Prüfer 2

Leitende Revisoren

Beilagen:

Jahresrechnung (Bilanz, Erfolgsrechnung, Anhang)⁵⁵.

Antrag über die Verwendung des Bilanzgewinnes.

Ort und Datum

⁵⁴ Wird der Bericht der Revisionsstelle im Geschäftsbericht abgedruckt, so soll hier auf die entsprechenden Seitenzahlen wie folgt verwiesen werden: „/ Seiten... bis...“. Der Beilagenvermerk ist in diesem Falle wegzulassen.

⁵⁵ Für Banken, die eine Mittelflussrechnung gemäss Art. 25b BankV publizieren, ist die Mittelflussrechnung hier zusätzlich zu erwähnen.

⁵⁶ Umfasst das Geschäftsjahr nicht zwölf Monate, erfolgt hier die entsprechende Angabe: „... umfassend den Zeitraum vom ... bis...“.

⁵⁷ Weicht das Datum des Berichtversands erheblich vom Datum ab, an dem die Prüfungsarbeiten abgeschlossen wurden, muss folgender Satz eingefügt werden: „Die Prüfungsarbeiten sind am ... 19... abgeschlossen worden.“

⁵⁸ Wurde die Vorjahresrechnung von einer anderen Revisionsstelle geprüft, muss hier folgendes eingefügt werden: „Die in der Jahresrechnung aufgeführten Vorjahresangaben wurden von einer anderen Revisionsstelle geprüft.“

⁵⁹ Bei Nichtzutreffen weglassen.

Rapporto dell'Ufficio di revisione all'Assemblea generale degli azionisti della [nome della società, località]

In qualità di Ufficio di revisione abbiamo verificato la contabilità e il conto annuale (bilancio, conto economico e allegato^{60 61}), della [nome della società] per l'esercizio chiuso al ... 20..^{62 63 64}.

Il Consiglio d'amministrazione è responsabile dell'allestimento del conto annuale, mentre il nostro compito consiste nella sua verifica e nell'espressione di un giudizio in merito. Confermiamo di adempiere i requisiti legali relativi all'abilitazione professionale e all'indipendenza.

La nostra verifica è stata effettuata conformemente alle norme della categoria professionale, le quali richiedono che la stessa venga pianificata ed effettuata in maniera tale che anomalie significative nel conto annuale possano essere identificate con un grado di sicurezza accettabile. Abbiamo verificato le posizioni e le informazioni del conto annuale mediante procedure analitiche e di verifica a campione. Abbiamo inoltre giudicato l'applicazione dei principi contabili determinanti, le decisioni significative in materia di valutazione, nonché la presentazione del conto annuale nel suo complesso. Siamo dell'avviso che la nostra verifica costituisca una base sufficiente per la presente nostra opinione.

A nostro giudizio la contabilità e il conto annuale (come pure la proposta d'impiego dell'utile di bilancio) sono conformi alle disposizioni legali e statutarie. Raccomandiamo di approvare il conto annuale a Voi sottoposto.

RAGIONE SOCIALE

Revisore 1

Revisore 2

revisori responsabili

Allegati:

conto annuale (bilancio, conto economico e allegato).

proposta d'impiego dell'utile di bilancio.

Luogo e data

Report of the statutory auditors to the General Meeting of the Shareholders of (name of company, location)

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes^{66 67}) names of statements should be the same as the actual statements) of (name of company) for the year⁶⁸ ended ..., 19..^{69 70}.

⁶⁰ Se il rapporto dell'Ufficio di revisione viene riprodotto nel rapporto annuale, si può far riferimento alle relative pagine come segue: «pagine da ... a ... ». In questo caso si può tralasciare la specifica degli allegati.

⁶¹ Per le banche che presentano un conto del flusso dei mezzi a norma dell'art. 25b OLB, il conto del flusso dei mezzi deve essere menzionato a questo posto.

⁶² Se l'esercizio non comprende dodici mesi, occorre fornire l'informazione relativa: «...comprendente il periodo dal ... al ... ».

⁶³ Se la data dell'invio del rapporto diverge notevolmente dalla data di conclusione dei lavori di verifica, la frase seguente deve essere inserita: «I lavori di revisione sono stati conclusi il ... 20.. ».

⁶⁴ Se il conto annuale dell'esercizio precedente venne verificato da un altro ufficio di revisione, la frase seguente deve essere inserita: «I dati dell'esercizio precedente elencati nel conto annuale furono a suo tempo verificati da un altro Ufficio di revisione».

⁶⁵ Tralasciare se non applicabile.

⁶⁶ If the report of the statutory auditors is printed in the annual report, the appropriate pages can be referred to here as follows: "/pages...to..". In this case, reference to the enclosures can be omitted.

⁶⁷ Reference to the statement of cash flows should be included here for banks which publish statements of cash flows in accordance with Article 25b of the Implementing Ordinance of the Federal Law relating to Banks

⁶⁸ When the accounting period is not twelve months long, the word "year" should be amended to "period from..to..".

⁶⁹ When the date of the audit report differs significantly from the date on which the audit work was completed, the following sentence must be included: "The audit work was completed on ...19...".

⁷⁰ If prior year figures were audited by another audit firm the following sentence must be added: "The prior year figures were audited by other auditors".

avec une assurance raisonnable. Nous avons révisé les postes des comptes consolidés et les indications figurant dans ceux-ci en procédant à des analyses et à des examens par sondages. En outre, nous avons apprécié la manière dont ont été appliquées les règles relatives à la présentation des comptes, les décisions significatives en matière d'évaluation, ainsi que la présentation des comptes consolidés⁷² dans leur ensemble. Nous estimons que notre révision constitue une base suffisante pour former notre opinion.

Selon notre appréciation, les comptes consolidés⁷² donnent une image fidèle du patrimoine, de la situation financière et des résultats, en conformité avec les recommandations relatives à la présentation des comptes (RPC)⁷⁸, et sont conformes à la loi⁷⁹.

Nous recommandons d'approuver les comptes consolidés⁷² qui vous sont soumis.

RAISON SOCIALE

Réviseur 1

Réviseur 2

Réviseurs responsables

Annexes :

Comptes consolidés (bilan, compte de profits et pertes, tableau de financement et annexe)

Lieu, date

**Bericht des Konzernprüfers
an die Generalversammlung der
[Name der Gesellschaft, Ort]**

Als Konzernprüfer haben wir die konsolidierte Jahresrechnung⁸⁰ (Bilanz, Erfolgsrechnung, Mittelflussrechnung und Anhang) der [Name der Gesellschaft/ Unternehmensgruppe] für das am ... 20.. abgeschlossene Geschäftsjahr⁸² geprüft^{83 84}.

Für die konsolidierte Jahresrechnung ist der Verwaltungsrat verantwortlich, während unsere Aufgabe darin besteht, diese zu prüfen und zu beurteilen. Wir bestätigen, dass wir die gesetzlichen Anforderungen hinsichtlich Befähigung und Unabhängigkeit erfüllen.

Unsere Prüfung erfolgte nach den Grundsätzen des Berufsstandes⁸⁵, wonach eine Prüfung so zu planen und durchzuführen ist, dass wesentliche Fehlaussagen in der konsolidierten Jahresrechnung⁸⁰ mit angemessener Sicherheit erkannt werden. Wir prüften die Posten und Angaben der

⁷⁸ Si les comptes consolidés sont établis selon d'autres normes de présentation des comptes équivalentes, par exemple selon les «règles relatives à la présentation des comptes du Règlement de cotation de la bourse suisse», les «règles d'établissement des comptes applicables aux banques», les «règles d'établissement des comptes applicables aux négociants en valeurs mobilières», les «normes de présentation des comptes de l'Union européenne» ou les «International Accounting Standards (IAS)», on en fera mention.

⁷⁹ Pour les sociétés cotées, il y a lieu d'insérer ce qui suit: «ainsi qu'avec les dispositions relatives à l'établissement des comptes du Règlement de cotation de la bourse suisse». Cette remarque n'est pas nécessaire si les règles d'établissement des comptes du Règlement de cotation de la bourse suisse sont appliquées comme normes de présentation des comptes.

⁸⁰ Oder gleichwertiger Begriff wie z.B. «Konzernrechnung» anstelle von «konsolidierter Jahresrechnung» usw.

⁸¹ Wird der Bericht des Konzernprüfers im Geschäftsbericht abgedruckt, so soll hier auf die entsprechenden Seitenzahlen wie folgt verwiesen werden: «/Seiten ... bis ...». Der Beilagenvermerk ist in diesem Fall wegzulassen.

⁸² Umfasst das Geschäftsjahr nicht zwölf Monate, erfolgt hier die entsprechende Angabe: «... umfassend den Zeitraum vom ... bis ... ».

⁸³ Weicht das Datum des Berichtsversands erheblich vom Datum ab, an dem die Prüfungsarbeiten abgeschlossen wurden, muss folgender Satz eingefügt werden: «Die Prüfungsarbeiten sind am ... 20.. abgeschlossen worden».

⁸⁴ Wurde die konsolidierte Vorjahresrechnung von einem anderen Konzernprüfer geprüft, muss hier folgendes eingefügt werden: «Die in der konsolidierten Jahresrechnung aufgeführten Vorjahresangaben wurden von einem anderen Konzernprüfer geprüft».

⁸⁵ Wurde nach den Grundsätzen der IFAC (International Standards on Auditing) geprüft, können diese zusätzlich zu den Grundsätzen des Berufsstandes genannt werden: «sowie nach den International Standards on Auditing der International Federation of Accountants (IFAC)».

verificato le posizioni e le informazioni del conto annuale consolidato mediante procedure analitiche e di verifica a campione. Abbiamo inoltre giudicato l'applicazione dei principi contabili determinanti, le decisioni significative in materia di valutazione, nonché la presentazione del conto annuale consolidato⁸⁸ nel suo complesso. Siamo dell'avviso che la nostra verifica costituisca una base sufficiente per la presente nostra opinione.

A nostro giudizio il conto annuale consolidato presenta un quadro fedele della situazione patrimoniale, finanziaria e reddituale in conformità alle Raccomandazioni professionali per l'allestimento dei conti annuali (RPC)⁹⁴ ed alle disposizioni legali⁹⁵.

Raccomandiamo di approvare il conto annuale consolidato a Voi sottoposto.

RAGIONE SOCIALE

Revisore 1

Revisore 2

Revisore responsabile

Allegati:

Conto annuale consolidato (bilancio, conto economico, conto del flusso di mezzi e allegato).

Luogo, data

Report of the group auditors to the general meeting of [Name of company, location]

As auditors of the group, we have audited the consolidated financial statements⁹⁶ (balance sheet, income statement, statement of cash flows and notes⁹⁷ of [name of company/name of group] for the year⁹⁸ ended 20..^{99 100}.

These consolidated financial statements⁹⁶ are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements⁹⁶ based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession¹⁰¹, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements⁹⁶ are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements⁹⁶. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement⁹⁶ presentation. We believe that our audit provides a reasonable basis for our opinion.

⁹⁴ Se il conto annuale consolidato è stato allestito sulla base di altri principi contabili equivalenti, come ad esempio le regole per l'allestimento dei conti annuali del Regolamento di quotazione delle borse svizzere, le disposizioni vigenti per le banche, le disposizioni vigenti per i commercianti di valori mobiliari, le disposizioni per l'allestimento dei conti annuali dell'Unione Europea, o gli International Accounting Standards (IAS), questi devono essere menzionati.

⁹⁵ Nel caso di società quotate aggiungere la seguente frase: «nonché le disposizioni del Regolamento di quotazione delle borse svizzere». Questa osservazione viene a cadere se vengono applicate le regole per l'allestimento dei conti annuali del Regolamento di quotazione delle borse svizzere.

⁹⁶ Or equivalent expression e.g. «group financial statements» instead of «consolidated financial statements».

⁹⁷ If the report of the group auditors is printed in the annual report, the appropriate pages can be referred to here as follows: «/pages ... to ... ». In this case, reference to the enclosures can be omitted.

⁹⁸ When the accounting period is not twelve months long, the word «year» should be amended to «period from ... to ...».

⁹⁹ When the date of the audit report differs significantly from the date on which the audit work was completed, the following sentence must be included: «The audit work was completed on ... 20.. ».

¹⁰⁰ If the prior period consolidated financial statements were audited by other group auditors, the following or some similar text must be added: «The prior year (or period) corresponding figures were audited by other group auditors».

¹⁰¹ If the audit was conducted in accordance with the auditing standards of the IFAC (International Standards on Auditing), these may be mentioned in addition to auditing standards promulgated by the profession: «and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC)».

Appendix 1: Examples of Unmodified Auditor's Reports by Country

In our opinion, the consolidated financial statements⁹⁶ give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Accounting and Reporting Recommendations (ARR)¹⁰² and comply with the law¹⁰³.

We recommend that the consolidated financial statements⁹⁶ submitted to you be approved.

FIRM

Auditor 1

Auditor 2

Auditors in charge

Enclosures:

Consolidated financial statements (balance sheet, income statement, statement of cash flows and notes).

Location, date

Band 2

Anstelle der Bezeichnung «give a true and fair view of» kann im Prüfungsurteil in Übereinstimmung mit den Standards der IFAC auch «present fairly, in all material respects» verwendet werden.

¹⁰²If the consolidated financial statements have been prepared in accordance with other, equivalent accounting principles, such as the «accounting provisions as contained in the Listing Rules of the Swiss Exchange», the «accounting rules for banks», the «accounting rules for securities dealer», the «European Union accounting provisions» or the «International Accounting Standards (IAS)», these principles should be referred to.

¹⁰³For listed companies the following phrase is to be added: «and the accounting provisions as contained in the Listing Rules of the Swiss Exchange». This note is not required when the accounting provisions as contained in the Listing Rules of the Swiss Exchange are adopted as accounting principles.

United Kingdom **Auditors' report to the members of ABC PLC**

We have audited the financial statements on pages x to x which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page x.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page x the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company/group is not disclosed.

We review whether the corporate governance statement on page x reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's/group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Appendix 1: Examples of Unmodified Auditor's Reports by Country

Opinion

In our opinion the financial statements give a true and fair view of the state of the (group's and the) company's affairs at xxx and of (the group's) (its) profit (loss) for the year then ended and have been properly prepared in accordance with the Companies Act 1985¹⁰⁴.

Auditing Firm
[Accountancy qualification and]¹⁰⁵ Registered Auditors
[Place]
[Date]

Notes:

The above report wording is taken from APB Auditing Bulletin 1999/5, which deals with auditors' reports in respect of listed public limited companies which are subject to the Listing Rules of the London Stock Exchange. When SAS 600 is next revised, the APB intends to revise the example reports provided in the SAS so that they include the elements set out in the paragraphs above referring to the respective responsibilities of directors and auditors.

Auditors optionally describing the nationality of the accounting and auditing frameworks will refer in the responsibilities paragraphs to the directors preparing the financial statements in accordance with the United Kingdom Companies Act and to the auditors' responsibilities being established in the UK and in the basis of audit opinion paragraph may also refer to the audit being conducted in accordance with UK auditing standards.

¹⁰⁴Or Companies (Northern Ireland) Order 1986 for companies registered in Northern Ireland.

¹⁰⁵Optional.

Appendix 2

Overview of National Standard Setting for Auditors' Reports by Country

Austria

Auditing standards and guidelines are set by the Fachsenat für Handelsrecht und Revision des Institutes für Betriebswirtschaft, Steuerrecht und Organisation der Kammer der Wirtschaftstreuhänder. Established in 1955 pursuant to section 13(2) of the Wirtschaftstreuhänderkammer Law, from which it derives its authority, the Fachsenat consists of professional accountants elected by the Board of the Wirtschaftstreuhänderkammer. It acts in an advisory capacity to the Board. As second professional body, the Institute Österreichischer Wirtschaftsprüfer issues auditing standards and guidelines.

International Standards on Auditing (ISAs) are used as a basis for drafting national standards but changes will be made where ISA conflicts with national law. Consultation on draft standards is restricted to members of the profession, all of whom are invited to comment. The Board of the Wirtschaftstreuhänderkammer gives final approval to the standards.

Auditors must comply with auditing standards in respect of all audits of Financial statements. This is required under the rules of the profession, not legislation. The standards are not preceded by an overall statement of authority; however, both standards and guidelines are taken into account in assessing the adequacy of audit work. Any departures from standards must be justified by the auditor. The objective of the statutory audit is laid down in the Commercial Code insofar as the Code specifies the form and content of the audit opinion. The rights and powers available to statutory auditors are also laid down in law.

Belgium

In Belgium it is the Institut des Réviseurs d'Entreprises (IRE) which has the authority to issue Auditing Standards. This authority was recognised by law in 1985, although standards had been in force since 1976.

The standards are written by a Technical Committee whose members are auditors and secretariat appointed by the Board of the IRE. The Technical Committee refers to ISAs in drafting standards. Draft standards are published in the IRE Newsletter for comment, following which the Board of the IRE approves revised drafts for submission to the consultative body, Conseil Supérieur des professions économiques (Higher Council). The Higher Council includes representatives from industry and academics and must comment on a draft standard before the IRE Board can give its final approval.

Three categories of statements are issued by the IRE Board:

- Normes - generally accepted principles which must always be applied.
- Recommendations - statements of best practice (auditors must fully document any departures from the recommendations).
- Avis du conseil et notes techniques - guidelines, sometimes applicable to particular business sectors.

Appendix 2: Overview of National Standard Setting for Auditors' Reports by Country

The application of norms and recommendations to the conduct of audit work is required under the Royal Decree of 1994. The standards apply to all audits and are recognised by the courts in assessing whether an auditor has fulfilled his obligations under the law.

Company law specifies the minimum content of the audit report and requires the auditor to state whether the report is qualified. The law does not detail the methodology to be used nor prescribe any but a general objective for the audit.

Czech Republic

The Auditors Act gives authority for setting auditing standards to the Chamber of Auditors. Under its constitution, the Chamber delegates this authority to its Board. The Committee for Auditing Standards was set up in 1993 and produces the standards for publication by the Board. The Committee is made up of 8 members of the Chamber, 7, in practice and 1 in industry.

Draft standards are issued for comment to the members of the Chamber of Auditors and to organisations like the Ministry of Finance, the Securities Commission, the Czech National Bank etc. The auditing standards are in effect translations of ISAs, adapted for Czech legislation. The Chamber of Auditors has recommended that International Standards on Auditing are followed where Czech National Standards are not yet available. For the auditor's report standard setting general procedures are used and an update is issued in case when ISA 700 is updated.

Auditors are required to comply with Auditing Standards by the Chamber. The objectives of the audit are prescribed in the Auditors Act, together with the rights and powers of auditors and the content of the audit report. The Act does not provide guidance on the conduct of the audit.

The Board of the Chamber of Auditors did not adopt IFAC Statement of Authority but has issued its own statement specifying the aim of the national standards and recommending their application in audit work.

Denmark

The Danish professional body, Foreningen af Statsautoriserede Revisorer (FSR) established a committee, the Revisionsteknisk Udvalg, in 1974 to issue auditing standards. The committee's authority and responsibility is derived wholly from the FSR; it is made up of 7 state authorised public accountants elected by the Annual General Meeting of FSR.

The committee produces revisionsvejledninger (auditing guidelines). These do not have quite the same status as ISAs but do cover generally accepted auditing practice and the text is based on the corresponding ISA. The FSR has issued a statement on the authority of the guidelines; the guidelines are to be applied to all audits.

Under its byelaws, the FSR is required to issue exposure drafts to members for consultation for a minimum of 3 months. Following consultation it requires at least 5 of the 7 committee members to approve the revised draft. The members of the FSR can also reject an auditing guideline by a simple majority at the Annual General Meeting.

Compliance with the guidelines is not expressly required under Danish law; however, it is implied by the legal standard of generally accepted auditing practice. The form and content of the published audit report, the powers and rights of auditors and, to some degree, the objective of the audit are all prescribed in law in general terms. The more specific guidelines on the layout of the audit report is presented in Auditing Guideline No. 7 from FSR which has been revised in 1996.

Finland

Auditing standards in Finland are issued by the KHT-yhdistys - Foreningen CGR (Finnish Institute of Authorised Public Accountants). In 1995 its authority to issue standards was strengthened by the Auditing Act which stated that it was the responsibility of the professional associations to maintain and develop good auditing practice. Standards are drafted by the Institute's Auditing Practices Committee comprising 5 to 6 professional auditors. There is no requirement to consult externally on the standards prior to them being approved by the Institute's General Assembly.

The Finnish Auditing Standards are based on ISAs with some amendments and completions to ensure compliance with relevant Finnish legislation. Such completions include, among others, the standards relating to corporate governance, the audit requirement of which is explicitly stipulated under Auditing Act. The Finnish Auditing Standards were approved by the members of the Finnish Institute of Authorised Public Accountants in November 1999 effective 1 July 2000.

Although the standards have no direct statutory authority, the legislation does refer to auditors complying with "good auditing practice". This phrase is not defined but, in practice, the Auditing Board of the Central Chamber of Commerce has referred to the auditing standards when interpreting the phrase. Finnish auditing legislation also describes the objectives of the audit and the rights and powers of the auditor. The content of the auditor's report is also described by the Auditing Act.

France

The issuing of auditing standards in France is the responsibility of the Compagnie Nationale des Commissaires aux Comptes (CNCC). Its Conseil National adopts standards which have been drafted by its Comité des Normes Professionnelles. The CNCC was established by decree in 1969 under the jurisdiction of the Garde des Sceaux (Ministry of Justice Chancellerie).

The Comité des Normes Professionnelles is made up mainly of Commissaires aux Comptes but can also include independent people with specialist knowledge useful to the Comité, and representatives of official bodies with links to the profession, for example, the Stock Exchange. The Comité can comprise up to about 40 people. In drafting or revising a standard, the Comité considers the corresponding ISA with a view to achieving conformity.

There is no exposure draft process to third parties but the draft standards can be reviewed by the regional institutes and, in particular circumstances, are transmitted to the Chancellerie. The final draft of the standard is passed to the Bureau of the Conseil National before the Conseil itself votes on the standard.

The CNCC publishes auditing standards, with accompanying guidance, which apply to all audits carried out by a Commissaire aux Comptes; it also publishes technical information which is intended to offer additional practical guidance in applying the standards. This technical information does not have the authority of a standard. The standards are provided by an introductory statement describing the nature of the standards and their authority.

The rights and powers of the Commissaire aux Comptes, certain general principles for carrying out the audit and the content of the audit opinion are all prescribed by French law. The law also sets out in general terms the objective of the audit. The CNCC has carried out an in-depth comparison between national and international standards which showed that the basic principles and essential procedures of ISAs were fundamentally covered by the CNCC's standards. The study also showed that although the structure of the national and international standards differs in some respects, there are few matters which are not reflected in the national standards.

Germany

The basis for auditing standards is provided by the requirements of the German Commercial Code. It legislates with regard to the audit of financial statements the following main issues:

- the entities that are required to have their statutory annual non-consolidated financial statements and statutory annual consolidated financial statements audited on an annual basis in order for them to be legally valid upon approval in the corporate governance process (mid-sized and large corporations and limited partnerships with a corporation as general partner, certain kinds of businesses)
- the professionals (Wirtschaftsprüfer) that are empowered to perform a statutory audit of the statutory financial statements and the basic conditions (i.e., independence considerations, etc.) under which such a professional may be appointed or relieved
- the rights and responsibilities of a statutory auditor versus management and other bodies involved in corporate governance
- the scope of the statutory audit (bookkeeping system, financial statements, management report, etc.)
- the basic contents of the long-form audit report for statutory audits
- the basic contents of the (short-form) auditor's report for statutory audits

It should be noted that no legislative basis exists for the planning and conduct of a statutory audit of financial statements and that the legislation on the contents of the reports only provides a skeleton for reporting.

Since the German Commercial Code does not regulate the planning and conduct of statutory audits at all and only provides an outline for audit reporting, the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW), which was founded in 1931, has taken the responsibility for the issuance of detailed auditing standards, pronouncements and other guidance.

All IDW Auditing Standards are drafted and approved in accordance with an established due process laid down by the Executive Board of the IDW, which is described in the following three paragraphs.

Responsibility for drafting standards lies within the IDW with the Auditing and Accounting Board and specialised Technical Committees for particular industry sectors, e.g. banking, insurance, IT etc. Committee members are Wirtschaftsprüfer; in appropriate cases others with special knowledge may be invited to participate on a Committee.

Special Task Forces are established by the Auditing and Accounting Board or the relevant Technical Committees to prepare the draft standard. The draft standards are then approved by the relevant Committees and are published for comment in technical journals, so that members and other interested parties may comment on the drafts. In accordance with a long-held tradition the draft standards are approved after discussions, in which issues raised by the profession and other persons are taken into account by the appropriate Committee, to ensure that the views of the profession and other interested parties are adequately reflected.

This is followed by a public hearing, in which the leading business associations, unions, academics and other interested parties again have an opportunity to engage in an oral exchange of views on the IDW Auditing Standard before final approval of the IDW Auditing Standard by the responsible Committee.

As a founding member of the IFAC, the IDW strives to ensure that its pronouncements incorporate the ISA in all material respects to the extent

permitted by German law. In 1998 the IDW completed and published a comprehensive study entailing a detailed comparison between German standards and the ISA, which came to the overall conclusion that German standards comply with the ISA in all material respects. German standards differ only in those few instances from ISA, in which German legislation or regulation does not permit the use of specific requirements contained in the ISA.

Since 1998 the IDW has undertaken a revisions project for its auditing standards and pronouncements, whereby the structure of these standards and pronouncements is to be adapted to more closely resemble the ISA and thereby make comparisons between German standards and pronouncements and the ISA easier for external parties. These standards and pronouncements are also being translated into English to allow parties from other countries to obtain a better understanding thereof. Under the revisions project, the IDW's Auditing and Accounting Board issues IDW Prüfungsstandards (IDW Auditing Standards) and IDW Prüfungshinweise (IDW Auditing Practice Statements) in addition to the guidance that continues to be provided in the WP-Handbuch (Public Auditor's Handbook).

Greece

The supervisory Council of the Institute of Certified Auditors Accountants of Greece (S.O.E.L.) is responsible for the approval of standards and regulations to be applied by the members of S.O.E.L. The application of those standards and regulations is mandatory (P.D. 226/1992 of the Hellenic Republic)

The operating regulations as well as the auditing standards are presented for approval to the Supervisory Council by the Scientific Council of S.O.E.L. composed of 5 members appointed by the general meeting of S.O.E.L.

The auditing standards that are currently applicable in Greece are based on the European and International auditing standards. These standards have been published in the Government Gazette of the Hellenic Republic (issues # 1119/B/18.12.1979, # 126/B/5.3.1993 and # 364/B/7.5.1997, and deal with:

- Basic standards generally referring to the goals and aims of auditing as well as the auditor's proficiency, attitude, responsibilities, etc.
- Fieldwork standards with regard to external (independent) audit techniques and principles;
- Standards of audit reports discussing the ways a certified public accountant should prepare audit reports;
- Professional ethics standards covering basic principles of the auditor's professional performance and conduct.

Hungary

The Hungarian Companies Act defines the auditing requirement for entities that are required to have a statutory audit of their annual accounts.

The Accounting Law defines the requirements of filing, publication and auditing of the annual unconsolidated and consolidated annual accounts of the entities.

Neither the Companies Act nor the Accounting Law define the planning and conducting of a statutory audit of the financial statements. The Accounting Law defines the wording of the opinion part of the audit report and the types of the opinion.

The Hungarian Chamber of Auditors (HCA) was re-established in 1997 based on the Act No. LV/1997 on the Hungarian Chamber of Auditors and the auditing activity.

Appendix 2: Overview of National Standard Setting for Auditors' Reports by Country

The Law on HCA and auditing regulates:

- The conditions of the membership including the conditions for becoming member.
- The criteria for acting as Chartered Accountant.
- The tasks, organisation and operation of the HCA.

The Law on HCA and Auditing gave the power and responsibility to the Hungarian Chamber of Auditors to establish the national auditing standards. In September of 1999 the Presidential Board of the HCA approved the full set of national auditing standards.

For the preparation of the national auditing standards a tender was issued which was financed by EU Phare Programme. The tender was won by a consortium of international audit firms. The Expert Committee of the HCA was responsible for supervising the project and for the coordination of the standard preparation procedure.

Basically the ISAs were adopted and they were taken as a basis for the establishment of national auditing standards. The structure, wording and numbering of the ISAs was fully kept. Practically the ISAs were integrated into the Hungarian legal framework. The special features of the national auditing standards, coming from the integration, were added to the standards as paragraph "a". If there is no special feature added to the national standard the wording usually agrees with the ISA wording.

The Expert Committee of the HCA prepared a plan for the introduction of the national auditing standards into the practice. The implementation of the plan is in process.

Training facilitates the introduction of the standards into the practice. Each member of the HCA is required to take part in the training. The Training Committee of the HCA organizes the training of the standards in the framework of obligatory annual training of the members.

Until now the application of the national auditing standards in the statutory audit is not obligatory but it is recommended. From 1 Jan. 2001, the application of the standards will become obligatory for the members of the Chamber.

As far as the issue of the quality control is concerned the HCA started to work on it. The HCA issued a tender for the preparation of recommendation on the establishment of system of the quality control.

With respect to the continuous updating and publication of the national auditing standards the HCA started to work on the establishment of a "Practice Group" which is supposed to transfer the feedback of the wide profession into the process of standard setting. The Expert Committee of the HCA is responsible for the updating of the standards.

Ireland

Since 1991 the Auditing Practices Board (APB) has been the responsible authority in the Republic of Ireland for issuing auditing standards. It is a committee of CCAB Limited, a company owned by the major accountancy bodies in the UK and the Republic of Ireland. The accountancy bodies have agreed to adopt the statements issued by the APB as requirements for their members to be applied to all audits. The Institute of Certified Public Accountants in Ireland is not one of the sponsoring bodies of the APB but has nevertheless similarly undertaken to adopt the APB's statements. The APB does not require the approval of the sponsoring bodies before issuing a standard.

As a result of the recent review of the regulation of the accountancy profession in the UK, the constitution and status of the APB is currently under review. At present, the constitution of APB provides for 18 voting members (9 audit practitioners and 9 non-practitioners, such as academics, lawyers and accountants in industry) and up to 7 non-voting members, for example, Government representatives. The changes referred to are expected to result in the removal of APB from CCAB Limited ownership and non-practitioners becoming a majority of the voting members.

The APB aims for national standards to be consistent with ISAs wherever possible and therefore considers the text of ISAs when drafting new standards. Differences between the national standards and the corresponding ISAs are highlighted. These drafts are issued publicly for consultation although under its constitution there is no requirement to consult outside the accountancy bodies themselves.

Three categories of statements are issued:

- Statements of Auditing Standards (SAS) basic principles and essential procedures with which auditors must comply.
- Practice Notes intended to assist in applying SASs to particular industry sectors or circumstances.
- Bulletin - guidance on new or emerging issues.

The APB has issued an overall statement of authority and at the beginning of each SAS there is an introductory paragraph explaining the relative status of the different paragraphs. The SASs contain certain paragraphs which are not prescriptive and which are intended to assist the auditor in applying the basic principles and procedures.

Although primarily the SASs are internal to the profession the Companies Act 1990 requires professional bodies supervising auditors to have satisfactory standards for the conduct of audit work. The SASs therefore have indirect statutory authority. Apart from establishing requirements for supervisory bodies, the Companies Act 1990 also prescribes the objectives of the audit (in terms of the opinion to be given), the rights and powers available to auditors and the minimum content of the audit opinion.

Italy

There are two distinct types of audit activity in Italy. The standard setting process for each is dealt with separately below.

• Regulated Audit Firms

Listed companies must be audited by one of 24 regulated audit firms registered with the stock exchange regulator CONSOB. On the basis of the law CONSOB approve the auditing standards applicable to these audit works. Most of these standards are proposed by the Consiglio Nazionale dei Dottori Commercialisti and Ragionieri. The Commission for the enactment of auditing standards drafts the standards. The Commission was originally set up in 1977 by the Consiglio Nazionale dei Dottori Commercialisti. In 1983, it became a joint commission when the Consiglio Nazionale dei Ragionieri joined. Both these bodies are under the supervision of the Ministry of Grace and Justice. Their respective Consiglio Nazionale appoints members of the Commission.

Standards are drafted taking into account the corresponding ISA. Although the principles underlying the national standards are generally consistent with ISAs, the detailed approach can differ. Draft standards are issued for comment to a wide range of bodies, including audit firms, universities and regulatory authorities. Final approval is given by the Consiglio Nazionale. The Stock

Appendix 2: Overview of National Standard Setting for Auditors' Reports by Country

Exchange regulatory authority, CONSOB, can endorse and require compliance with the auditing standards in respect of all regulated audits.

The final opinion required from an audit and certain rights and powers available to auditors are specified in law. However, the law does not refer to the wording of the audit report. In 1995 the Commission began to look at revising auditing standards to bring them into line with ISAs as far as possible given the requirements of national legislation. Furthermore on 1st december 1999, CONSOB, with the Consiglio Nazionale dei Dottori Commercialisti and Ragionieri advice, has issued a new standard regarding the audit report completely in accordance with ISA 700.

- **Collegio Sindacale**

The Board of Statutory Auditors, Collegio Sindacale, is an independent body established by law for companies subject to the audit regulations of the EU 4th Directive. In addition to the statutory audit, the Collegio Sindacale has the duty to supervise the compliance of the company with laws, regulations and articles. The Collegio Sindacale work is performed in accordance with the Principles of Professional Behaviour. The principles are drafted by the Statutory Audit Commission which was set up by the Consiglio Nazionale dei Dottori Commercialisti in 1979 to look at issues affecting the Collegio Sindacale. The Ragionieri has also joined this Commission.

The working and composition of the Statutory Audit Commission is similar to the Commission for the enactment of auditing standards for listed company audits. The Principles of Professional Behaviour, on the subject of accounting and auditing, are a concise expression of the existing national auditing standards. Members of the Collegio Sindacale are obliged to comply with the principles of professional behaviour when conducting audits. The functions of the Collegio are prescribed by law, as are certain rights and powers. The content of the audit report, although not the detailed wording or format, is also prescribed.

Luxembourg

Auditing Standards in Luxembourg are set by the Institut des Réviseurs d'Entreprises (IRE), established in 1984 under the jurisdiction of the Ministry of Justice. The IRE's recommendations de révision comptable are based on ISAs, adapted to take account of national legislation and practice. They must be applied to all audits. ISAs are considered by a working party and approved by the IRE Council prior to being discussed and voted on at the IRE's General Assembly. ISA 100 (Statement of Authority) has been adopted by the IRE.

Malta

Prior to the Companies Act 1995, the Malta Institute of Accountants had recommended the adoption of International Standards on Auditing (ISA) by all its members in the audit practice. Until then Maltese practitioners largely followed UK auditing standards as prescribed by the Auditing Practices Committee and later the Auditing Practices Board in the UK.

The Companies Act 1995 prescribes that the auditor's report shall be drawn up in accordance with the International Standards on Auditing approved by the Council of the International Federation of Accountants as may be amended from time to time. This obliges auditors in Malta to carry out their statutory audits in accordance with International Standards on Auditing. The auditor's rights and duties are specified in detail by the Companies Act 1995, but the law does not deal with the audit process leaving this to the International Standards on Auditing. The law however sets minimum reporting requirements and content of the audit report but the detailed content and wording is left to the auditing standards.

The Netherlands In the Netherlands Auditing Standards and Guidelines are issued by the Royal Dutch Institute of Registered Accountants (Royal NIVRA).

Royal NIVRA has decided to adopt the ISAs as the basis for approved standards on auditing and related services in the Netherlands. The Auditing Practices and Standards Committee (CCR) of Royal NIVRA is charged with the development of these standards on auditing (Richtlijnen voor de Accountantscontrole - RAC). In the event a RAC statement contains guidance which reflect differences arising from the Dutch law or practice the RAC will provide guidance on such differences. All differences with ISAs are indicated in the RAC. Where the CCR deems it necessary, additional standards may be developed on matters of relevance in the Netherlands not covered by ISAs. RACs are to be applied in the audit of financial statements and are also to be applied, adapted as necessary, to the audit of other information and to related services.

Members of Royal NIVRA are expected to comply with the standards on auditing and related services issued by Royal NIVRA. Apparent failure to do so may result in an investigation into the member's conduct by the Disciplinary Committee of Registeraccountants.

The CCR consists of Royal NIVRA members covering all sectors where auditors can be active (public, internal, government). Following approval the standards on auditing will be published and distributed among all members of Royal NIVRA, stating the date from which they are effective. The effectuation date will be mentioned.

Dutch law requires companies to prepare financial statements in accordance with 'a true and fair view' in accordance with accounting principles generally accepted in the Netherlands. These principles are based upon the EU 4th Directive. These financial statements are subject to an audit if certain requirements are met. Members of Royal NIVRA are entitled to perform such audits. Dutch law does not specify the form and content of the auditor's report nor provide any guidance on performing audits.

Norway

Auditing standards are presently issued by the board of Den norske Revisorforening (DnR), (i.e. the Norwegian Institute of Public Accountants) which is the result of a merger effective from 1999 of the two previous institutes of public accountants, Norges Statsautoriserte Revisorer Forening (NSRF) and Norges Registrerte Revisorer Forening (NRRF). In 1968 the NSRF set up a committee to develop draft recommendations to define the standard of good auditing practice introduced in the Audit and Auditors Act of 1964. The Board of NSRF adopted recommendations and norms until 1992. The following year the Board decided to introduce a new set of auditing standards closely based on the ISAs. These were adopted by the Board of NSRF in May 1997. From 1999 this work is continued by DnR.

The DnR has no statutory authority to set auditing standards although its work is informally recognised by the Kredittilsynet, the Government body which licenses and supervises private sector auditors. The Auditing Standards Committee comprises 9 members – one an academic, the others in practice. The Kredittilsynet has an observer on the committee during those parts of the meetings which they find of interest to them. A member of the Norges Kommunerevisorforbund (The Association of Norwegian Municipal Auditors) is an observer on the Committee on a regular basis. The Committee publishes exposure drafts for comment to members of the DnR and a number of private organisations and Government institutions.

Appendix 2: Overview of National Standard Setting for Auditors' Reports by Country

Legislation does not specifically require audits to be carried out in accordance with the auditing standards; the legal requirement is for "good auditing practice". This term has not been defined but in the event that an auditor's work is tested in court, the profession's auditing standards will be the main basis for comparison. Compliance with the auditing standards adopted in 1997 is mandatory for DnR's members on all audits with balance sheet dates on or after 1 January 1998. An authority statement equivalent to ISA 100 has been issued, amended only to refer to national rather than international standards. Departures from Auditing Standards are thereby permitted but must be justified by the auditor.

A new Audit and Auditors Act dated 15 January 1999 was implemented from August 1999. From the preparatory work it is evident that auditing standards set by the profession will be central in defining the contents of the statutory audit, referring to the international harmonisation of auditing standards through the work of IFAC.

The act defines the objective of an audit and specifies the auditor's rights and powers and the minimum content of the audit report. Detail is provided through the auditing standards.

Portugal

In Portugal it is the "*Ordem dos Revisores Oficiais de Contas*" (OROC) which issues technical pronouncements on auditing. In 1985 the OROC Executive Council set up the "*Comissão Técnica das Normas*" (CTN) to draft technical pronouncements on auditing on its behalf, which members were practising auditors.

With the increase of responsibilities and assignments given by law to the statutory auditors, in the current year a new Commission has been set up called "*Comité de Coordenação de Normas e Estudos Técnicos*" to draft technical pronouncements on auditing. This commission is based upon specialised working groups, namely; non-financial entities; financial entities; insurance companies; public sector, local governments and sports entities; Portuguese Securities and Exchange Commission; taxes; euro; information technologies; environmental issues; law and regulations.

There are three types of technical pronouncements on auditing:

- Standards (*Normas Técnicas de Revisão/Auditoria*) - the law requires their application to all audits; any deviations from standards are subject to disciplinary suit.
- Statements (guidelines) (*Directriz de Revisão/Auditoria (DRA)*) - they are also compulsory, but auditors may justify a deviation from a statement.
- Interpretations (*Interpretações de Revisão/Auditoria*) - they are issued for clarification and are not compulsory.

Standards are drafted based on the text of the corresponding ISA 200 "Objective and General Principles Governing an Audit of Financial Statements". Exposure drafts are distributed to all statutory auditors for comment. Revised drafts are then submitted to the Executive Council in order to be put before the members at the General Meeting, for approval.

The draft guidelines are prepared by the "*Comité de Coordenação de Normas e Estudos Técnicos*" then put before the members for comment. After receiving the comments and revision a final exposure draft is prepared to submit for approval for the Executive Council.

The interpretations are prepared by the "*Comité de Coordenação de Normas e Estudos Técnicos*" for approval of the Executive Council.

Where there are no national standard or guideline, members are obliged to follow the relevant ISA.

Portuguese law specifies the audit objective, powers, rights and duties to be observed by the auditors. It does not prescribe the wording of the audit opinion nor the methodology of the audit.

Romania

The Body of Expert and Licensed Accountants of Romania (CECCAR) was founded in 1992 and has responsibility for issuing auditing standards. The preparation of auditing standards is carried out by its Audit Department and Department for Standards and Methodology, which includes auditors, academics, specialists from the Ministry of Finance and employee representatives.

Being so recently established and with no existing auditing standards, CECCAR issued in 1995 a set of standards relating to Auditing, Reporting and Behaviour, and an Audit Guide, taking into consideration the concepts developed in ISAs. These were approved by both the Ministry of Finance and the Ministry of Justice. They are published in the CECCAR magazine and other technical Journals. All members of CECCAR must comply with auditing standards on all statutory audits. Not only is this required by the CECCAR's own rules but also by Government regulations which make references to auditing standards. The audit report in accordance with ISA 700 was introduced in Romania in 1996 by means of "Norms no. 1 regarding the financial audit and balance sheet certification", issued by CECCAR in October 1995 and whose applicability was legally sanctioned by the Decision No. 483/1996 of the Romanian Government. During 1997-1999, CECCAR, with the support and assistance of the French audit profession, translated and adapted to local circumstances, 27 international auditing standards (ISA), published in the Official Monitor of Romania in January 1999.

The law in Romania specifies the objective of the audit but otherwise the rights and powers available to auditors and the methodology used in the conduct of an audit are detailed in CECCAR's rules. These are supported by legislation which specifically refers to these rules.

Slovenia

The responsibility for issuing auditing standards has since 1994 lain with the Auditing Committee of the Slovenian Institute of Auditors (SIA). The Auditing Committee has 5 members who are licensed certified auditors and who are elected to the Committee by the members of the SIA.

ISAs have been adopted in full in Slovenia and there are no differences between these and the national standards. The Auditing Committee does offer opinions and explanations on the standards in order to clarify certain issues or explain when the standards would not be applicable to specific national situations.

Auditing standards must be applied to all statutory audits and departures are not normally permitted other than in the specific situations on which the Auditing Committee has made a pronouncement. The Slovenian Law on Auditing refers generally to auditing standards but it is the SIA's own rules which require members to comply with ISAs. The same law prescribes the rights and powers of auditors and the form and content of the audit opinion.

Under the proposed new Law on Auditing, which is not in force yet, the responsibility for issuing auditing standards will lie with the Auditing Council of the Slovenian Institute of Auditors. The Auditing Council is supposed to have nine members (director of the SIA, five licensed certified auditors, and three members who represent public interest).

Appendix 2: Overview of National Standard Setting for Auditors' Reports by Country

In contrast to the Law on Auditing, now in force, the proposed Law on Auditing refers explicitly to the ISAs.

Spain

By the Auditing Law of 1988, auditing standards are issued by the Instituto de Contabilidad y Auditoria de Cuentas (ICAC) having been prepared by the professional bodies in accordance with general standards recognised in EU Member States. Should the professional bodies not produce a standard on a particular topic, the ICAC has the power to draft its own standard. Standards do not become valid until 6 months after they have been published by ICAC in the Boletín Oficial del Instituto de Contabilidad y Auditoria de Cuentas. ICAC, together with the three professional bodies, have reviewed all the national standards. The existing Spanish auditing standards are in line with the ISAs (some differences have been detected but they are not significant); other ISAs have not been yet implemented, but a commission, set up with this purpose, is working on this.

The Technical Committees of the three professional bodies (IACJCE, REA and REGA) draft the standards which are then passed to the ICAC for publication. Before publication, the standards are reviewed by a committee with 20 members, composed of ICAC officials, members of the three professional bodies and other regulatory bodies, for example the Bank of Spain and the Stock Exchange. 12 members of the Committee are practitioners.

Wherever possible the corresponding ISA is used as a basis for the national standard. Auditing standards contain basic principles and procedures and application of these standards to all audits is compulsory under law.

Apart from the standards, the professional bodies also issue recommendations and guidelines which include explanatory material. These types of statements are not prescriptive. The Auditing Law specifies the objectives of the statutory audit and sets out the minimum content of the audit report and the matters on which the auditor should give an opinion. It does not prescribe the methodology for the audit.

Sweden

Auditing standards are issued by Föreningen Auktoriserade Revisorer (FAR). Preparation of standards is delegated to FAR's Auditing Practices Committee, made up of 10 authorised public accountants who are members of FAR. Final approval of the standards is given by the FAR Council.

FAR issues two types of pronouncements – "rekommendationer" (standards) and "uttalanden" (statements). The latter are not prescriptive and do not require Council approval before they are published. New standards and major revisions of existing standards are circulated to all FAR members as "proposals" for comment before final approval. They are drafted taking into account the relevant International Standard on Auditing. In 1998 FAR decided to translate ISAs and, after amendments required by Swedish law, implement them as the FAR standard for "good auditing practice" (see below on that term). The translation project is ongoing and is scheduled to be completed during 2001.

The Swedish Companies Act requires a statutory audit to be carried out in accordance with "good auditing practice". However neither the Companies Act nor any other law give details of that practice nor states who is to develop it.

In the bill "The organisation of the limited liability company" ("Aktiebolagets organisation") presented on 28 February 1998 the government comments on the standard-setting in Sweden. It concludes that within a system of framework legislation that requires the auditor to conduct the audit in accordance with "good auditing practice", it should be the business of the professional bodies and the Supervisory Board of Public Accountants to give further guidance on the extent of the auditor's examination through the issue of standards and

pronouncements ("rekommendationer och yttranden"). However it is emphasised that the technique of framework legislation does not mean that the final interpretation of the purport of "good auditing practice" is left to the professional bodies. Ultimately it will always be the task of the courts of law to determine what is "good auditing practice" in the particular case.

Revisorsnämnden, the Supervisory Board of Public Accountants, regulates the profession by issuing regulations, by monitoring and by disciplinary actions. It can reprimand auditors and, in severe cases, withdraw the qualification. As has been said above, auditing standards are developed, codified and published by FAR. Revisorsnämnden to a large extent relies on the standards of FAR but has the preferential right of interpretation in cases of disagreement. As stated by the government above, ultimately it will always be the task of the courts of law to determine what is "good auditing practice" in the particular case.

The objective of the audit, the items on which the auditor must express an opinion in the Auditor's Report as well as the rights and powers of the auditor are prescribed by law. Thus the Companies Act regulates that the statutory auditor is to examine the annual report ("årsredovisningen"), the books and records ("bokföringen") and the administration of the company by the Board of Directors and the Managing Director ("styrelsens och verkställande direktörens förvaltning") in accordance with "good auditing practice" (see above on that term). The Act does not prescribe the form and wording of the Auditor's Report but the matters on which the statutory auditor must express an opinion in the report. For limited liability companies in Sweden mandatory opinion on four different matters is to be expressed and in addition to that opinion on further maximum five other matters is to be expressed if applicable in each particular case.

Switzerland

The Institute of Chartered Accountants in Switzerland (Treuhänder-Kammer/Chambre Fiduciaire) brings into force auditing standards which have been developed by its audit practices committee. This Committee was set up in the 1970s and comprises members of the Institute including academics and practitioners from various sizes of firms and each language area.

New standards are drafted with due regard to the equivalent ISA insofar as it applies to Swiss law and practice. Draft standards are published in the technical journal of the Institute inviting comments both from members and other interested parties.

The Institute issues three types of statements:

- Auditing Standards (Grundsätze der Abschlußprüfung/Normes de révision) – standards which, under the rules of the Institute, must be applied to all audits carried out by its members.
- Auditing guidelines (Handbuch für Wirtschaftsprüfer (HWP)/Manuel suisse d'audit (MSA)).
- Professional communications – additional information on specific areas.

If the auditor feels that the audit objective can be better achieved other than by following the auditing standards, this is permitted provided that the auditor justifies the departure from the standard. This is set out in the authority statement to the auditing standards, No. 0.

The Swiss Company Law sets out the purpose and extent of the audit and also lays down the right of the auditor to ask the company directors for all relevant information. With regard to the audit report, the law only specifies the minimum content whilst the detailed form and wording are contained in the auditing standards.

Appendix 2: Overview of National Standard Setting for Auditors' Reports by Country

United Kingdom Since 1991 the body responsible for issuing auditing standards has been the Auditing Practices Board (APB). The APB is a committee of CCAB Limited, a company owned by the six major accountancy bodies in the UK and the Republic of Ireland. These bodies have agreed to adopt the statements issued by the APB and require them to be applied to all audits carried out by their members. The APB does not require the approval of the accountancy bodies before it issues an auditing standard.

The constitution of APB provides for 18 voting and up to 7 non-voting members of the APB. Of the voting members, 9 are audit practitioners and the remainder are academics, lawyers and accountants in industry. The non-voting members are, for example, representatives from Government both in the UK and the Republic of Ireland. As a result of the recent review of regulation of the accountancy profession in the UK, the constitution and status of the APB is currently being considered by the accountancy bodies with the relevant authorities and is expected during the course of 2000 to change, to make APB more independent of the accountancy profession. The changes are expected to result in the removal of APB from CCAB Limited ownership and non-practitioners becoming a majority of the voting members.

The APB aims for national standards to be consistent with ISAs wherever possible and therefore considers the text of ISAs when drafting new standards. Differences between the national Standards and the corresponding ISAs are highlighted. These drafts are issued publicly for consultation although under its current constitution there is no requirement to consult outside the accountancy bodies themselves.

Three types of statements are issued:

- Statements of Auditing Standards (SAS) basic principles and essential procedures with which auditors must comply.
- Practice Notes intended to assist in applying SASs to particular industry sectors or circumstances.
- Bulletins guidance on new or emerging issues.

The APB has issued an overall statement of authority and at the beginning of each SAS there is an introductory paragraph explaining the relative status of the different paragraphs. The SASs contain certain paragraphs which are not prescriptive and which are intended to assist the auditor in applying the basic principles and procedures.

The SASs are not directly referred to in law but do have indirect statutory authority in that the Companies Act 1989 requires those supervising company auditors to have "rules and practices as to the technical standards to be applied in company audit work". The Companies Act also specifies the audit objective, to the extent that it prescribes the terms of the audit opinion, and affords statutory rights and powers to the auditors. The detailed content and wording of the audit report is a matter for auditing standards, not law.

Appendix 3

Previous Documents in Europe Addressing the Harmonisation of the Auditor's Report for Statutory Audits

1. FEE-Study "The Role, Position and Liability of the Statutory Auditor in the European Union"

In January 1996 FEE issued a study entitled "The Role, Position and Liability of the Statutory Auditor in Europe". The responses to the FEE questionnaire discussed in the study indicated that there are differences between the requirements of member states as to which governing body (the shareholders, the supervisory board, the audit committee, the workers council, the executive board, or the board of directors, etc.) in a corporation the statutory auditor is required to report. In addition, there were also differences in the means of communication: certain jurisdictions required the auditor to participate in the meetings of such bodies, whereas other jurisdictions required written communication.

The FEE Study also came to the conclusion that the internal diversity of the legal structure of corporations leads to the diversity in audit reporting, which in turn results in a greater risk that the role of the statutory auditor will be perceived differently by different corporate bodies involved. These different perceptions would engender a higher likelihood that the expectations of these bodies within a particular jurisdiction would diverge – not to mention the divergence among different jurisdictions (with the concomitant single market implications), which may be exacerbated by the different information made public by auditors' reports in different jurisdictions.

The FEE Study also noted that, at the time, the responsibilities of the governing bodies of a corporation with regard to the statutory financial statements versus the responsibility of the statutory auditor thereto were not disclosed in two thirds of the auditors' reports in the EU. FEE recommended the use of such disclosures be extended to improve the transparency of the responsibilities of the statutory auditor with respect to the information provided in the financial statements.

On the other hand, the FEE Study did show that the auditor's reports in the EU were in the process of being harmonised by the accounting profession to the extent permitted by national laws due to the widespread and consistent adoption of the relevant ISA, rather than through legislative or regulatory measures at EU level. Nevertheless, it was recognised that minor differences among countries still existed with regard to the scope of the auditor's report.

The FEE study came to the following conclusion:

"Differences in wording [in the auditor's report] have a single market impact to the extent that they reduce the utility of reports issued in other Member States. In principle, where similar statutory audit work has been performed, this should be clearly communicated by way of similar wording in the short-form audit report. Given the manner in which progress has been made to date, self-regulation should remain the preferred means to overcome remaining minor differences, on the basis of the pronouncements of IFAC."

2. The Green Paper "The Role, the Position and the Liability of the Statutory Auditor within the European Union" by the EU Commission

In October 1996 the EU Commission published the Green Paper "The Role, the Position and the Liability of the Statutory Auditor within the European Union". Paragraphs 3.39 to 3.47 of this Paper also addressed the role of the auditor's report for statutory audits in the EU.

The Paper stated:

"The audit report is the medium through which the statutory auditor communicates with shareholders, creditors, employees and with the public at large. It is the result of the audit process. Usually, a distinction is made between a long form audit report and a short form audit report. The long form report is addressed to management and is not normally made available to the public."

The Paper reported that, although company law in most member states specified the matters to be included in the auditor's report available to the general public, and, professional bodies in all member states have established standard auditor's reports, only three member states made the use of these standard reports compulsory. The Commission noted that users would be able to derive only limited comfort from the absence of a qualification to the financial statements in the auditor's reports of the companies in member states. The Paper also asserted that the auditor's reports in their present form fail to provide an understanding of the work that the auditor, who is appointed by the shareholders and reports to them, actually does and that this lack of information would hinder investors and other users from forming a conclusion with sufficient confidence on the reliance that can be placed on the auditor's opinion.

In the Paper it was noted that there appeared to be a general consensus that auditors' reports should contain more information about the scope and nature of the work on which the auditor's report is based and that such a report clearly state an auditor's responsibilities for reporting on the financial statements. In addition, to reduce the expectation gap the report should provide more information on the work actually performed by the auditor, the professional standards applied in the conduct of the work and whether the financial information prepared by the company satisfies legal and other regulatory requirements. The view was expressed that an auditor's report on statutory financial statements in member states would normally include the following information on whether:

- the auditor has obtained all of the information and explanations, which to the best of his or her knowledge and belief, are necessary for the purposes of the audit,
- in his or her opinion, proper books and records have been kept by the company,
- the statutory financial statements provide a true and fair view of the company's assets, liabilities, financial position and earnings or losses,
- the statutory financial statements comply with the requirements of company law and
- the audit was carried out in accordance with auditing standards.

Any reservations that the auditor may have also ought to be clearly stated in the report.

While the Paper recognised that the form and wording of the auditor's report has become increasingly harmonised in the EU due to the widespread and consistent adoption of the relevant ISA, it was also noted that differences with regard to the wording and the scope of the standard statutory auditor's report continue to exist and that these differences have a single market impact on the utility of such reports issued in member states. The Paper stated:

"In principle, where similar statutory audit work has been performed, this should be clearly communicated by way of similar wording in the audit report."

Once an agreement has been reached on the definition of the statutory audit, it should be easier to agree on the minimum content of the audit report. Because the audit report is the medium through which the statutory auditor communicates with shareholders, creditors, employees and with the public at large, it seems desirable that a similar wording in the audit report is used throughout the EU."

The Paper noted that the wording of the auditor's report in several member states has been adapted to that developed by IFAC and that the extent to which this could also serve as a basis for a common definition at EU level should be considered. It was also pointed out, however, that attention would need to be given to the particular requirements distinguishing the European from the international environment.

The Paper came to the overall conclusion that a common definition of the statutory audit would lead to the requirement for a common definition of the auditor's report backed by legislation in the member states and that it should be considered whether this points to binding legislation (i.e., a Directive) at EU level, or whether a recommendation by the Commission would suffice. It was recognised, however, that due attention should be paid to flexibility to allow the adaptation of legal requirements to the rapidly changing environment in which the auditor operates – in particular, in relation to developments in the introduction of new information technologies and communications media, which have also resulted in new kinds of information.

3. Response by the FEE to the Green Paper

In October 1996 the FEE responded to the issues raised and the conclusions made by the Commission in the Green Paper discussed in the previous section. With regard to the auditor's report, in chapter 1.2. of the Response the FEE expressed its view that any attempts at harmonisation of reporting for statutory audits in the EU should focus on the short-form statutory auditor's report.

The Green Paper's proposal that a similar content and structure for the auditor's report be used within the EU was welcomed, but only to the extent that it would be consistent with ISA 700. Consistency with ISA 700 was viewed as being important to allow the compatibility of the EU's auditing strategy with its strategy for accounting harmonisation, under which support is being given to the endorsement of IAS by the International Organisation of Securities Commissions (IOSCO).

The Response notes the Green Paper's recognition of the progress that has already been made in the harmonisation of the content and structure of the auditor's report due to the application of ISA 700 and concludes that, in view of the success already achieved, the best solution would be for the Commission to call on member states to ensure an appropriate level of harmonisation within the EU. This approach (ensuring conformity with ISA 700) would enable practice within the EU to develop in line with global developments and would also address the Commission's concerns that users require adequate information on the nature and scope of the auditor's work and on the respective responsibilities of the auditor and the directors of the company.

Overall, FEE came to the following conclusion:

"FEE is convinced that promoting compliance with ISA 700 would be most efficient means to achieve concrete and rapid results whilst preserving the necessary flexibility to adapt to the constantly changing environment in which the auditor operates."

4. Opinion of the Economic and Social Committee of the European Parliament on the Green Paper

In February 1997 the Economic and Social Committee of the European Parliament issued its opinion on the Green Paper by the EU Commission. In general the Opinion noted that the approach of the EU Commission ought to be based on subsidiarity and flexibility and that the costs of new legislation and rules be examined to ensure that these do not out-weigh the benefits, particularly for small companies. In addition, it was stated that the Commission should avoid undertaking any changes that would impose requirements that could be met by firms and auditors only with difficulty or at significant cost. The Committee also supported the view that the aim should be international approximation given the progress that had already been made through the IFAC and that the emphasis thereby be on professional self-regulation.

More specifically, for the auditor's report the Committee recommended that "... support be given to the work of the International Auditing Practices Committee of the International Federation of Accountants."

5. Resolution by the EU Parliament

In January 1998 the European Parliament issued the "Resolution on the Commission Paper on the role, the position and the liability of the statutory auditor within the European Union". The Resolution called on the EU Commission to specify its short- and medium-term objectives with a view to establishing and operating an internal market in auditing. The Resolution also called on the Commission to set up a technical committee as an initial step for the purpose of considering matters relating to the compatibility between European auditing standards and existing international standards. Furthermore, the Resolution called on the Commission:

"... to consider in particular whether or not to propose legislation to harmonise the minimum content of audit reports and to examine the technical problems inherent in such legislation, as provided for by the Commission when it presented the eighth company law directive, and the compatibility thereof with existing Community law and with the subsidiarity principle."

6. FEE Study "Setting the Standards: Statutory Audit in Europe" and the Report thereon by the EU Commission's Committee on Auditing

In June 1998 FEE issued the Study "Setting the Standards – Statutory Audit in Europe". Whereas the Study dealt with overall compliance of national auditing standards in EU member states with ISA, the Study also came to the following conclusion with regard to the auditor's report:

"ISA 700 ... relate to the auditor's report. National standards frequently do not follow the relevant ISAs in detail because national laws and regulations prescribe the form and content of the audit opinion. Harmonisation of the content of the auditor's report may have a single market impact and will require further consideration by the auditing profession."

In its draft report on the FEE Study "Auditing Standards in the EU" the EU Commission's Committee on Auditing – which was set up 1998 analysed the FEE Study. The draft report also included a tabular analysis of the inconsistencies between national auditing standards and ISA 700. The tabular comment on the significance of these inconsistencies with ISA 700 noted:

"Extremely important, differences in the wording and type of audit opinions affect directly the assurance that a user can attach to the audit financial information, in other words have an internal market impact."

"The respondents did not address the requirements of ISA 700.17 and 700.20 whether the financial statements comply with statutory requirements and with other requirements specified by relevant statutes or law. There might be differences between Member States which result in differences in audit opinion throughout the EU."

In addition, the "proposed action" table includes the following statements:

"This [ISA 700] and ISA 400 are the most important ISAs which is also illustrated by the number of black letter paragraphs, 25. Because of the importance of the subject, the product of the statutory audit, Member States have regulated this subject to a larger extent by law than the subjects of other ISAs. The audit report is not only the most important way of communication the result of the audit to the public but also sets through its wording the minimal audit procedures to be performed."

"ISA basically deals with the structure of the audit report, the type of audit opinions and the wording of the audit report/audit opinion. Because of the number and complexity of inconsistencies with ISAs and between Member States it is proposed to discuss the audit report ISA 700 separately at the Committee on Auditing".

Due to the proposed separate treatment of the auditor's report at the Committee on Auditing, FEE was prompted to initiate this study .