

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH (ICAB)

The significant enhancements brought in through the new and revised International Standards on Auditing (ISA) include the following:

	Enhancements	Relevant ISA	Applicable to Listed	Applicable to other than listed
Opinion	Audit opinion section to be presented at the beginning	ISA 700 (Revised)	Mandatory	
Basis for Opinion	Affirmative statement about the auditor's independence and fulfillment of relevant ethical requirements	ISA 700 (Revised)		
Going Concern	Description of the respective responsibilities of management and auditor of company - A new section under the heading 'Material Uncertainty related to Going Concern', if a material uncertainty exists and is adequately disclosed (instead of reporting under 'Emphasis of Matter') - Increased focus on "close calls", requiring auditor to evaluate the adequacy of disclosures in close calls situations	ISA 570 (Revised)		
Key Audit Matters	Explanation of those matters which were of most significance in the audit of the current-period, including explanation of "Why" considered significant and "How" addressed during the audit	ISA 701 (New)		 Optional, in accordance with ISA 700 (Revised)
Other Information	A section is added to the report when the entity has/is preparing, in addition to the historical financial information subject to audit, document(s) that meet the definition of an "annual report".	ISA 720 (Revised)		
Management and Auditor's Responsibilities	New sections explaining the responsibilities of the auditor and management, including the auditor's work effort and identification of other information	ISA 700 (Revised)		
Engagement Partner name	Disclosure of the name of the engagement partner. * ISA 700 (Revised) requires that the name of the engagement partner shall be included in the auditor's report on financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat.	ISA 700 (Revised)	*	 Not required in ISA 700 (Revised)

What is the brief explanation for the significant changes in auditor's report?

Section of the auditor's report	Explanation
Opinion	<p>Prominent placement of the auditor's opinion in the auditor's report as the 'Opinion' section shall be presented first in the auditor's report and incorporates:</p> <ul style="list-style-type: none"> ▪ The matters previously contained in the introductory paragraph of the old ISA 700; and ▪ The opinion on the financial statements as previously contained in the opinion paragraph of the old ISA 700.
Basis for Opinion	<p>The 'Opinion' section shall be followed immediately by the 'Basis for Opinion' section that now has to be included in the auditor's report, regardless of whether a modified opinion is expressed on the financial statements.</p> <p>This section contains the information regarding the conduct of the audit and audit evidence and Ethical requirements.</p> <p>The part relating to the conduct of the audit and audit evidence states that the:</p> <ul style="list-style-type: none"> ▪ Audit was conducted in accordance with ISAs as applicable in Bangladesh; ▪ Refers to the section of the auditor's report that describes the auditor's responsibilities under the ISAs; and ▪ States whether the auditor believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion. <p>Ethical requirements: This element contains an affirmative statement about the auditor's independence and fulfillment of relevant ethical responsibilities. The members of the Institute are subject to the ethical requirements of the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants as adopted by the ICAB.</p> <p>Modified auditor's opinion</p> <p>If the auditor has a modified opinion on the financial statements, the auditor is required to include within the 'Basis for Opinion' section, as previously required by the old ISA 700, a description of the matter giving rise to the modification. The heading of this section will also be amended to accommodate the type of modification, such as 'Basis for Qualified Opinion'.</p>
Material Uncertainty Related to Going Concern	<p>ISA 570 (Revised), requires that a separate section be included in the auditor's report when the auditor concludes that a material uncertainty related to going concern exists and it has been adequately disclosed in the financial statements.</p>
Emphasis of Matter and Other Matter	<p>The concepts of Emphasis of Matter and Other Matter paragraphs have been retained within the auditor's report.</p> <p>ISA 706 (Revised) also provides guidance as to the placement of the EOM and OM paragraphs in the auditor's report, which will depend on the nature of the information to be communicated and the auditor's judgment as to the relative significance of such information for intended users.</p>

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Key Audit Matters	<p>Key Audit Matters (KAM) is the most significant enhancement in the auditor's report. The new ISA 701, <i>Communicating Key Audit Matters in the Independent Auditor's Report</i>, deals with KAM.</p> <p>KAM are those matters that, in the auditor's judgment, are of most significance in the audit of the current-period financial statements.</p> <p>The auditor is mandatorily required to communicate KAM in the auditor's report for all audits of complete sets of general purpose financial statements of listed entities.</p> <p>KAM may also be applicable to non-listed entities when the auditor is required by law or regulation to communicate KAM in the auditor's report or when the auditor decides, for a particular audit, to voluntarily communicate KAM.</p> <p>KAM do not constitute a modification of the report or the opinion. They are a part of the standard unmodified report which must be tailored to each company's circumstances. KAMs must always relate to matters already included within the financial statements.</p> <p>KAMs do not include matters which have resulted in a modified opinion.</p> <p>KAM is prohibited for a disclaimer of opinion, but required for a qualified or adverse opinion.</p>
Other Information	<p>A separate section with the heading 'Other information' (or other appropriate title) is required to be included in the auditor's report, in accordance with ISA 720 (Revised).</p> <p>ISA 720 (Revised) deals with the auditor's responsibilities relating to other information; that is, financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report.</p> <p>A separate section in the auditor's report to identify the other information, explain the management and auditor's responsibilities in relation thereto and, if applicable, report on any material misstatement of the other information. It is also to be clearly stated that the auditor's opinion on the financial statements does not cover the other information and that the auditor does not express any form of assurance conclusion thereon.</p>

Section of the auditor's report	Explanation
Auditor's Responsibilities for the Audit of the Financial Statements	<p>This section contains enhanced description of the auditor's responsibilities, with standardized wordings for every auditor's report.</p> <p>The auditor's responsibility section is intended to explain more fully the concept of a risk based audit, as well as to clarify the meaning of certain audit- technical terms. This approach results in a lengthier description of the auditor's responsibilities in relation to specific matters, including fraud; internal control, accounting policies and estimates, evaluation the overall presentation, structure and content of the financial statements and disclosures, group audits, and communicating with those charged with governance; and, if applicable, the identification and communication of KAM.</p> <p>Furthermore, the auditor's report shall include a description of the auditor's responsibilities relating to going concern.</p>
The Auditor's Signature	<p>ISA 700 (Revised) requires that the name of the engagement partner shall be included in the auditor's report on financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat.</p>