

Chapter 29

THE AUDIT REPORT - REVISITED

1. The purpose of the audit

Remember that the aim of an audit is to be able to report to the members on whether or not the financial statements show a true and fair view. All the planning, investigation of internal control and substantive tests were organised for this purpose. The audit report was discussed in Chapters 5 and 6 so that you got an early insight into where the audit steps were heading. It

- is important to briefly remind you of the possible outcomes from the audit.

2. Outcome of the audit process

There are two sources of difficulty:

- Material misstatements
- Lack of sufficient appropriate audit evidence

Unmodified audit opinion

Neither of these difficulties has arisen

Qualified audit opinion (except for)

One or both has arisen. The problem is material but not pervasive, so the problem can be isolated. The financial statements show a true and fair view except for...

Adverse opinion

A material misstatement that is so serious as to be pervasive so that the financial statements are deeply misleading.

Disclaimer of opinion

A lack of sufficient appropriate audit evidence that is so serious as to be pervasive so that the auditor can form no opinion on the financial statements.

Additions to the audit report

Remember also that there can be additions to the audit report that do not affect the opinion. These are:

- **Emphasis of matter paragraph**

Draws attention to a matter already properly disclosed in the financial statements.

- **Other matter**

Typically, drawing attention to a statement in the directors' report or chairman's report which is at odds with what is in the financial statements.



