



**TECHNICAL CIRCULAR**    **3/2016 (TC 3\_2016)**

**TO:**                            **All the Members of the Institute**

**FROM:**                        **Auditing Standards Committee**

**DATE:**                        **21 October 2016**

**SUBJECT:**                    **Recent changes in the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013**

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The Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 (the “Basic Law”) were amended by the Law 96 (I) of 2016, as published in the national gazette of the Republic on 23 September 2016 (the “Amending Law”). The provisions of the amending law are the result of the transposition of the EU Accounting Directive (2013/34/EU) into domestic law. The Basic Law and the Amending Law will collectively be referred to as the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016.

The purpose of this technical circular is to provide guidance on the changes emanating, by the aforesaid Amending Law, on the auditor’s report, Illustration no. 1 of the “Illustrations of auditor’s reports on financial statements” issued in January 2014. The amendments apply to the rest of the illustrations as well.

The Institute is currently working on the replacement of the “Illustrations of auditor’s reports on financial statements” issued in January 2014, to apply the additional requirements of the new and revised International Standards on Auditing, relevant to auditor’s report, and will be effective for audits of accounting periods ending on or after 15 December 2016.



## **Illustration 1: Unmodified opinion Companies without subsidiaries**

### **Independent auditor's report**

#### **To the Members of ABC Limited**

#### **Report on the financial statements**

We have audited the accompanying financial statements of ABC Limited (the "Company"), which are presented in pages [...] to [...] and comprise [*the statement of financial position as at 31 December 20XX, and the statements of comprehensive income, changes in equity and cash flows*] for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Board of Directors' responsibility for the financial statements*

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

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. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of ABC Limited as at 31 December 20XX, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.



## Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the management report, whose preparation is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.<sup>1</sup>
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.<sup>1</sup>

### Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

*Where the statutory auditor is a firm*

*[Signature of engagement partner]*

*[Name of engagement partner]*

Certified Public Accountant and Registered Auditor  
for and on behalf of

*[Name of audit firm]*

Certified Public Accountants and Registered Auditors

*[Address]*

*[Date]*

*Where the statutory auditor is a sole practitioner*

*[Signature of sole practitioner]*

*[Name of sole practitioner]*

Certified Public Accountant and Registered Auditor

*[Address]*

*[Date]*

Notes.

1. References to the management report remain only when such a report is included in the financial statements (there are exemptions for preparing management report in accordance with article 151(1) of the Companies Law).