**Illustrative Auditor’s Report**

*Notes to update of this document:*

*January 2024 - The text of the first paragraph of the auditor's report was amended in accordance with the changes in the examples of Auditor's Reports contained in ISA 700, which were published in October 2023 as part of the IFAC Handbook of International Quality Management, Auditing, Review, Other Assurance and Related Services Pronunciations, Edition 2022.*

*1 July 2019 - The text and link for the information on the persons responsible for supervising the accounting reporting process was modified in cases where the Company´s Audit Committee is established.*

*20 November 2018 – Approval by the Assembly (no update compared to the previous version)*

*The paragraph Provision of non-audit services was modified on 29 May 2017.*

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| The following illustrative auditor’s report is a combination of illustrations provided in the application clauses to ISA 700 and 720 that were adopted by the General Meeting of the Chamber of Auditors of the Czech Republic on 21 November 2016. The illustration incorporates all elements required to be presented in auditor’s reports, including audits of public-interest entityas per EU legislation.  The illustrative auditor’s report has to be adapted to the circumstances of the engagement, taking into account, in particular, the below assumptions on which the illustration is based, and effective dates of the requirements applying to auditor’s reports (for details, see the application clauses to ISA 700 and 720). The footnotes briefly specify how to apply alternative elements of the illustrative auditor’s report in particular circumstances.  For purposes of this illustrative auditor’s report, the following circumstances are assumed:   * Audit of financial statements of a joint-stock company with the two-tier corporate governance system; the company is a public-interest entity as per EU legislation; * The financial statements are prepared by management of the entity for general purposes; * The auditor’s report follows the requirements for auditor’s reports on statutory audits set out by Act No. 93/2009 Coll. on Auditors; * The auditor’s report does not include specific illustrations of key audit matters under ISA 701; * The entity is required by law or regulation to prepare an annual report comprising the financial statements subject to audit; * The auditor has obtained all of the annual report information prior to the date of the auditor’s report; * The auditor’s report contains an unmodified opinion; * The auditor has not identified a material misstatement of the annual report; * The audit is not a group audit. |

**INDEPENDENT AUDITOR’S REPORT**

To the Shareholders of ABC, a.s. [or Other Appropriate Addressee]

**Report on the Audit of the Financial Statements[[1]](#footnote-1)**

***Opinion***

We have audited the accompanying financial statements of ABC, a.s. (hereinafter also the “Company”) prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 20X1, and the income statement, [statement of changes in equity and statement of cash flows][[2]](#footnote-2) for the year then ended,[[3]](#footnote-3) and notes to the financial statements, including material accounting policy information. For details of the Company, see Note X to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of ABC, a.s. as at 31 December 20X1, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

***Alternative wording of the above two paragraphs for financial statements prepared in accordance with IFRS (EU):***

We have audited the financial statements of ABC, a.s. (hereinafter also the “Company”) prepared in accordance with IFRS Accounting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 20X1, and the income statement and statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information. For details of the Company, see Note X to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of ABC, a.s. as at 31 December 20X1, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

***Basis for Opinion***

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council,[[4]](#footnote-4) and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key Audit Matters[[5]](#footnote-5)***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Specify any key audit matters]

***Other Information in the Annual Report[[6]](#footnote-6)***

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor’s report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

* The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
* The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

***Responsibilities of the Company’s Board of Directors****[[7]](#footnote-7)****, Supervisory Board and Audit Committee****[[8]](#footnote-8)* ***for the Financial Statements***

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic 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.

***Alternative wording of the above paragraph for financial statements prepared in accordance with IFRS (EU):***

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as adopted by the European Union 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board in collaboration with the Audit Committee are responsible for overseeing the Company’s financial reporting process.[[9]](#footnote-9)

***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above mentioned laws and regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
* Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee[[10]](#footnote-10) regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.[[11]](#footnote-11)

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee,[[12]](#footnote-12) we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.[[13]](#footnote-13)

Report on Other Legal and Regulatory Requirements[[14]](#footnote-14)

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor’s report, which is required in addition to the requirements of International Standards on Auditing:

*Appointment of Auditor and Period of Engagement*

We were appointed as the auditors of the Company by the General Meeting of Shareholders on X X 2XXX and our uninterrupted engagement has lasted for X years.

*Consistency with Additional Report to Audit Committee*

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on X X 20X1 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

*Provision of Non-audit Services*

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

In addition to the statutory audit, the following services were provided by us to the Company and its controlled undertakings that have not been disclosed in the financial statements or Annual Report: [[15]](#footnote-15)

Name Description of services provided

(Specify) (Specify)

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| [*For an audit firm:*]  [Name of the audit firm]  [Audit firm address]  [Audit firm licence No.]  [Personal names of statutory auditors determined by the audit firm to be responsible for performing the audit in the name of the audit firm, including their designation[[16]](#footnote-16) as “statutory auditors responsible for the audit resulting in this independent auditor’s report”]  [Licence numbers of statutory auditors]  [Date of auditor’s report]  [Signatures of statutory auditors determined by the audit firm to be responsible for performing the audit in the name of the audit firm] | [*For a statutory auditor:*]  [Personal name of the auditor]  [Auditor address]  [Auditor licence No.]  [Date of auditor’s report]  [Auditor signature] |

1. The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the auditor’s report does not include the “Report on Other Legal and Regulatory Requirements” section. [↑](#footnote-ref-1)
2. These financial statements shall only be included if prepared by the entity. [↑](#footnote-ref-2)
3. The words “year” and “period” shall be considered equivalent (unless the financial statements are prepared for an interim period). [↑](#footnote-ref-3)
4. The reference shall only be included in the case of statutory audits of financial statements of public-interest entities for periods beginning on or after 17 June 2016. [↑](#footnote-ref-4)
5. The paragraph shall only be included in the case of statutory audits of financial statements of public-interest entities for periods beginning on or after 17 June 2016, audits of financial statements of listed entities (see the application clause to ISA 700), or if the auditor has decided to communicate key audit matters. [↑](#footnote-ref-5)
6. This section of the auditor’s report shall only be included if required by ISA 720, as amended by the application clause. [↑](#footnote-ref-6)
7. Throughout the document, the appropriate term referring to statutory representatives and other bodies, if any, responsible for the preparation of the financial statements has to be used. [↑](#footnote-ref-7)
8. The Supervisory Board and Audit Committee are bodies responsible for overseeing the financial reporting process. The term(s) referring to this body (these bodies) shall be adjusted to the circumstances or left out, if the body(ies) does(do) not exist. [↑](#footnote-ref-8)
9. For the wording, refer to the previous footnote. The paragraph shall be left out, if the body(ies) do not exist. It is necessary to examine its status and responsibilities on the basis of legal regulations, as well as the Articles of Association and other internal regulations of the Company, before specifying a particular company body / committee. The body / committee shall be mentioned in the text if it is clear from the aforementioned provisions that it has been entrusted with the relevant responsibility. These facts must be documented in the auditor's file. [↑](#footnote-ref-9)
10. Those charged with corporate governance with whom the auditor is required to, and did, communicate shall be specified here [↑](#footnote-ref-10)
11. This paragraph shall only be applicable for statutory audits of financial statements of public-interest entities for periods beginning on or after 17 June 2016 and for audits of financial statements of listed entities (see the application clause to ISA 700). [↑](#footnote-ref-11)
12. Those charged with corporate governance with whom the auditor is required to, and did, communicate shall be specified here [↑](#footnote-ref-12)
13. This paragraph shall only be included if the auditor is required to report on key audit matters. [↑](#footnote-ref-13)
14. This section of the auditor’s report shall only be applicable for statutory audits of financial statements of public-interest entities for periods beginning on or after 17 June 2016. [↑](#footnote-ref-14)
15. The paragraph shall only be included if the auditor provided services to the Company and its controlled undertakings (in addition to the statutory audit) that have not been disclosed in the financial statements or Annual Report. [↑](#footnote-ref-15)
16. This designation shall only be included for audits of financial statements of a listed entity if using the option under A62.1. ISA 700, as amended by the related application clause. For audits performed by audit firms, statutory auditor’s responsibilities for the audit of the financial statements may also be specified in the body of the auditor’s report, as shown in the illustrative examples 1 to 4 in ISA 700. [↑](#footnote-ref-16)