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## **Circular 1/2009**

on the Comprehensive Audit Report to the Board of Directors (Circ. 1/09)

of 19 June 2009

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## **I. Background**

- 1 The auditor shall provide the Board of Directors with a comprehensive written report containing information on the company's accounting, the internal control system as well as the performance and the result of the audit (Art. 728b para. 1 CO<sup>1</sup>).
- 2 The report to the Board of Directors of companies subject to ordinary audits shall comply with the statutory provisions referred to above and the applicable professional standards (in particular AS 260, "Communication of Audit Matters with Those Charged with Governance"<sup>2</sup>). The Federal Council has authorised the Federal Audit Oversight Authority (FAOA) to issue its own auditing standards or to supplement or repeal and replace existing standards if no standards exist or they are insufficient (Art. 28 para. 2 AOO<sup>3</sup>). This circular defines more specific details relating to AS 260 in particular.
- 3 With regard to the form and content of the comprehensive audit report to the Board of Directors of public companies, the requirements of this circular must be followed in addition to the provisions of AS 260.
- 4 Audit reports in accordance with specific legislation that are prescribed by the Swiss Financial Market Supervisory Authority (FINMA) for banks, insurance companies and securities dealers, as well as audit reports in accordance with the CISA<sup>4</sup>, shall be regarded as comprehensive audit reports in the sense of this circular. Other statutory provisions of specific legislative acts shall take precedence.

## **II. Content of the comprehensive audit report to the Board of Directors**

- 5 In the comprehensive audit report to the Board of Directors the auditor must provide information on the following points:
- 6 Performance of the audit
  - a. independence of the auditor, in particular with explanations concerning:
    1. services that were provided in parallel to legally prescribed audit services;
    2. other facts that could put independence at risk;
  - b. period when the audit procedures were performed, if applicable with an indication of any delays;
  - c. auditing principles applied to the audit;
  - d. overview of the approach to the audit, the audit-related risk assessment and the reliance on the internal control system, as well as a description of the principal tests of controls and details;
  - e. particular priorities of the audit in the year under review;
  - f. description of audit priorities that are subject to annual rotation;

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<sup>1</sup> Code of Obligations of 30 March 1911 (SR 220).

<sup>2</sup> Swiss auditing standards of the Swiss Institute of Certified Accountants and Tax Consultants.

<sup>3</sup> Ordinance of 22 August 2007 on the Licensing and Oversight of Auditors (SR 221.302.3).

<sup>4</sup> Federal Act of 23 June 2006 on Collective Investment Schemes (SR 951.31).

- g. collaboration with other auditors, the audited company's internal audit department and external experts;
- h. scope of the audit in the case of branch offices or subsidiaries;
- i. nature of contact with the Board of Director's Audit Committee and number of occasions on which such contact took place;

#### 7 Result of the audit

- a. details of deviations from the standard wording of the audit report to the general meeting (Art. 728b para. 2 CO);
- b. overview of corrected and uncorrected errors in the annual and consolidated financial statements that are material, individually or in aggregate;
- c. any contraventions of the law, the articles of association or the organisational regulations that were identified and are not contained in the audit report to the general meeting (cf. Art. 728c para.1 and 2 CO);
- d. references to any difficulties encountered during the audit in connection with the management (e.g. lack of availability of relevant contacts or difficulties in obtaining the necessary audit evidence);

#### 8 Information relating to accounting

- a. application of accounting standards for the consolidated financial statements;
- b. specific accounting issues within the context of the financial statements (first-time application of new standards, changes to and financial consequences of accounting principles, choices, scope of discretion and estimates);
- c. material uncertainties with regard to the company's ability to continue as a going concern;
- d. material events after the balance sheet date;
- e. extraordinary or material transactions with related parties;
- f. off-balance-sheet transactions and use of special purpose entities;

#### 9 Information relating to the internal control system (ICS): summary of audit results, in particular with explanations concerning the scope of the ICS and the extent to which it is documented.

### **III. Form of the report**

10 The report must be sufficiently comprehensive and detailed to allow the Board of Directors to obtain a precise insight into the performance and result of the audit. The auditor shall be free to choose the format of the document and the sequence and structure of the report (for information on the content of the report see section II. above). The report shall be produced in one of the national languages of Switzerland or in English.

11 To avoid repetition, reference may be made within the comprehensive audit report to previous comments or other documents (e.g. to the management letter for the company's management or elements of the audited annual or consoli-

dated financial statements). If reference is made to another document, the latter must be enclosed to the comprehensive report. It shall only be permitted to refer to documents established by the audited company if these have been audited by the auditor.

- 12 The comprehensive audit report on the auditing of the individual financial statements and that on the auditing of the consolidated financial statements may be established in combined form. In the event of a combined report, the document must be structured in such a way that it is clear to which object or process of the audit the individual comments relate.

#### **IV. Date of the report**

- 13 The comprehensive audit report must bear the date on which the audit procedures were completed. If, by way of exception, the comprehensive report is not established until later, it must be stated that the information relates to the date on which the audit procedures were concluded. Backdating the report shall not be permitted.

#### **V. Enactment**

- 14 This circular shall come into force on 1 July 2009 and shall apply to the auditing of annual and consolidated financial statements for financial years that commenced on 1 January 2009 or later.