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Circular 1/2009

on the Comprehensive Audit Report to the Board of Directors (Circ. 1/2009)

of 19 June 2009 (version of 21 December 2015)

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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 result of the audit (Art. 728b para. 1 CO¹).
- 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 SAS 260, "Communication With Those Charged With Governance"²). The Federal Audit Oversight Authority (FAOA) is authorised to issue its own auditing standards or to supplement or amend existing standards if no standards exist or they are insufficient (Art. 16a para. 2 AOA³). This circular defines more specific details relating to SAS 260 in particular.
- 3 With regard to the form and content of the comprehensive audit report to the Board of Directors of public interest entities, the requirements of this circular must be followed in addition to the provisions of SAS 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 CISA⁴, 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 reliance on the internal control system, as well as a description of the principal tests of controls and substantive audit procedures;
 - e. audit focus areas in the year under review;

¹ Code of Obligations of 30 March 1911 (CO, SR 220).

² Swiss Auditing Standards (SAS) of EXPERTsuisse.

³ Federal Act of 16 December 2005 on the Licensing and Oversight of Auditors (AOA, SR 221.302.3).

⁴ Federal Act of 23 June 2006 on Collective Investment Schemes (CISA, SR 951.31).

- f. description of audit focus areas subject to annual rotation;
- g. collaboration with other auditors, the audited company's internal audit department and external experts;
- h. scoping, i.e. percentage of total consolidated assets, turnover and profit covered by the full scope audit of components (Full Scope Audit) and by the following;
 - 1. audit of specific account balances, classes of transactions or disclosures to address likely risks of material misstatement within the consolidated financial statements (Specific Scope Audit);
 - 2. audit procedures specified to address likely risks of material misstatement within the consolidated financial statements (Specified Audit Procedures);
 - 3. review of financial information;
- i. nature of contact with the Board of Director's Audit Committee and number of occasions on which such contact took place;
- j. explanations regarding the determination of overall and performance materiality at the audit planning stage and regarding amendments made during the course of the audit;
- k. Type and scope of non-administrative audit work delegated to foreign shared service centres (delivery centres);

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);
- e. comments on individual findings of the FAOA relating to the audit of the audited entity and reported to the auditor within the most recent FAOA inspection report;

8 Information relating to accounting

- a. accounting standards applied 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 consolidated financial statements). If reference is made to another document, the latter must be enclosed with 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 audit of the entity financial statements and that on the audit 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 entity and consolidated financial statements for financial years that commenced on 1 January 2009 or later.⁵

⁵ This circular was amended as follows:

- Amendment of 21 December 2015 (effective for audits of entity and consolidated financial statements for financial years that commenced on 1 January 2015 or later.