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## **Circular 1/2009**

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

of 19 June 2009 (Status as on 15 December ~~2022~~[2024](#))

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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 ISA-CH 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 ISA-CH 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 ISA-CH 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 firms, 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 EXPERTsuisse (SA-CH).

<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. Audit scope for sub-areas (known as "scoping"), i.e. indication as a percentage of the sub-areas covered by audit (full scope audit) in relation to the entire group based on assets, turnover and profit, with an indication as a percentage of the type of activity for the remaining sub-areas:
    - 1. audit of one or more account balances, types of transactions or financial statement disclosures for risks that are likely to be significant (specific scope audit);
    - 2. specified audit procedures with regard to the risks that are likely to be significant;
    - 3. review of the 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 of how materiality and tolerable materiality in the audit planning are determined and of any adjustments to these in 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 (cf. Art. 728c para.1 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

9-10 [The comprehensive audit report must be delivered to all members of the audited company's board of directors.](#)

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.

4011 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 to the comprehensive report. If the referenced document has already been submitted to the board of directors by the auditors, this must be noted accordingly in the notes to the financial statements. It shall only be permitted to refer to documents established by the audited company if these have been audited by the auditor.

4412 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

4213 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.

#### IV<sup>bis</sup>. Transitional Arrangements on the Alteration made on 13 December 2024

13<sup>bis</sup> [Margin numbers 6 lit. d, e and h are not applicable for audits of annual and consolidated financial statements for the financial year 2024 in line with ISA 600 \(Revised\) or on a voluntary basis in line with ISA-CH 600 \(Revised\) before the entry into force thereof. The following information must however be additionally provided in the comprehensive audit report to the board of directors:](#)

a. An overview of the following information on the audit:

1. Audit approach;

2. Audit risk assessment, indicating the areas where the risks of material misstatement or significant risks of material misstatement were assessed as high, identified in accordance with ISA-CH 315 (Revised), as well as the reasons, if the risk of fraud for significant types of revenue has been refuted ;

3. Reliance on the system of internal controls;

4. Description of the main function testing and the statement-related testing;

b. With regard of the higher-rated or significant risks (cf above Margin no. 13~~V~~.<sup>bis</sup>. lit. a No. 2):

1. if applicable, coverage in percentage (scope of the audit);

2. Scope of the supervision of the component auditor by the lead audit firm as well as the review of their activities, including – as far as relevant – a review of component auditor’s additional audit documentation by the lead audit firm.

c. all the facts listed in accordance with ISA 600.57 (Revised) and ISA-CH 600.57 (Revised).

## **V. Enactment**

~~13~~<sup>14</sup>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.<sup>5</sup>

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<sup>5</sup> This circular was amended as follows:

- Amendment of 21 December 2015 (in force for the audit of annual and consolidated accounts of the financial years beginning on or after 1 January 2015)
- Amendment of 12 October 2021 (in force since 15 October 2021)
- Amendment of 13 December 2022 (in force since 15 December 2022)
- Amendment of 13 December 2024 (in force as of 15 December 2024)