

Adverse auditor's report in conjunction with a fundamental limitation on the scope of the audit

(Financial statements Part 9 of Book 2 of the Netherlands Civil Code)

To: appropriate addressee

AUDITOR'S REPORT

Report on the financial statements¹

We have audited the accompanying² financial statements XXXX³ of ... (name), ... (statutory seat), which comprise the balance sheet as at ..., XXXX, the profit and loss account for the year then ended and the notes⁴.

Management's responsibility

Management⁵ is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report⁶, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code⁷. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial statements 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.⁸ An audit also

1 The subheading "Report on the financial statements" is unnecessary in circumstances when the second subheading "Report on other legal and regulatory requirements" is not applicable.

2 Referencing is possible through the use of page numbers.

3 Or: "for the year ended xxxx" (fiscal year not coinciding with calendar year).

4 The enumerated parts of the financial statements should be aligned with the index of the financial statements.

5 Depending on the nature of the entity to be changed to more suitable terminology such as "management of the company" (B.V. / N.V.), "union", "foundation" etc.

6 Align terminology with the term applied by the entity.

7 Or the applicable legislation and/or standards.

8 In circumstances when the auditor also has the responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 adverse audit opinion.

Basis for adverse opinion

- 1 Unconditional pension liabilities have not been provided for in the balance sheet. According to accounting principles generally accepted in the Netherlands, such liabilities should be provided for. At the balance sheet date the required provision amounts to approximately € ... As a consequence, the company's equity and net result are overstated by € ... and € ..., respectively.
- 2 Given the nature and the size of the company and its operations it is not possible for the company to maintain appropriate internal controls without incurring disproportionate costs. We have been unable to perform sufficient audit procedures to obtain reasonable assurance on the completeness of turnover and related items as shown in the financial statements.

Adverse opinion

In our opinion, because of the significance of the matter described in point 1 of the Basis for adverse opinion paragraph, the financial statements do not give a true and fair view of the financial position of ... (name) as at ..., XXXX, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements⁹

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code¹⁰.

[Place, date]

[Name audit firm]

[Name external auditor and his signature]

relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.”.

9 This paragraph is not applicable if there are no other legal and regulatory requirements for the auditor to issue such a separate report.

10 When the entity applies a legal exemption allowing it not to prepare a management board report (section 396 of the Netherlands Civil Code and the 'Wet op de ondernemingsraden'), this excerpt can be omitted. Footnote 9 is also applicable.