

The external auditors' responsibility is to plan and perform the audit with an attitude of professional skepticism in order to obtain reasonable assurance as to whether the financial statements (of the entity under audit) are free from material error or misstatement. The auditors' findings are communicated in the form of an opinion via an audit report. The types of audit opinions an auditor may issue are:

- i. Unmodified.
- ii. Unmodified with emphasis-of-matter or other-matter paragraph.
- iii. Modified, which may include a qualified, adverse, or disclaimer of opinion.

An unmodified opinion is issued when these conditions have been met:

- A complete set of general-purpose financial statements (e.g., balance sheet, income statement, statement of cash flows) is included.
- The three general standards have been followed in all aspects of the audit engagement. Those standards include:
 - The audit is to be performed by a person or persons having adequate technical training and proficiency as an auditor.
 - Independence in mental attitude is to be maintained by the auditor or auditors in all matters relating to the audit engagement.
 - Due professional care is to be exercised in the planning and performance of the audit and the preparation of the audit report.
 - Sufficient, competent evidence to support the opinion has been obtained.
 - The financial statements are prepared, in all material respects, in accordance with the applicable reporting framework (most frequently generally accepted auditing principles [GAAP] in the United States). This implies that adequate financial statement disclosures have been made.
 - There are no conditions requiring the addition of an emphasis-of-matter or other-matter paragraph in the audit report.

An unmodified opinion with emphasis-of-matter or other-matter paragraph meets the criteria of a complete audit with satisfactory results and the financial statements are fairly presented, but professional standards require that, when material, the matter be brought to the attention of the financial statement users and, when the auditor believes it is important to "emphasize" the matter and provide additional information about the matter, in the audit report. Some more common situations that would warrant the inclusion of emphasis-of-matter or other-matter paragraphs in the audit report include:

- Inconsistency in the application of accounting principles (e.g., GAAP).
- Going-concern doubts.
- Uncertainties, such as where conclusive audit evidence concerning the ultimate outcome of a situation (e.g., a lawsuit) does not exist at the time of the audit but instead will occur at some time in the future.
- A change in opinion for a prior period when reporting on current statements in comparative form.
- Predecessor auditor's report for a prior period is not presented when reporting on current financial statements in comparative form.
- Other discretionary circumstances, which might include a major catastrophe that affects the audited company's financial position, significant transactions with related parties, or unusually important subsequent events.

A qualified opinion is issued when the auditor concludes that either the financial statements are materially (but not pervasively) misstated (e.g., a departure from GAAP) or there is a scope limitation due to the auditor's inability to obtain sufficient appropriate audit evidence, which is not pervasive.

An adverse opinion is issued when the auditor concludes that financial statements are materially misstated (due to major GAAP violation or departure) and the effects of the misstatements are both material and pervasive.

A disclaimer opinion is issued when the auditor is unable to obtain sufficient appropriate audit evidence and the possible effects of this are both material and pervasive. A disclaimer states that the auditor does not express an opinion on the financial statements.