

THE AUDITOR AND THE INFORMATION ACCOMPANYING FINANCIAL STATEMENTS

Introduction

1. (a) The published annual and quarterly reports of banking corporations include the report of the board of directors and the management review which accompany the audited annual financial statements, and a summary of the quarterly financial statements reviewed by the auditor (henceforth - the financial statements).
- (b) In order to prevent discrepancies between the information in the financial statements and in other accompanying information (henceforth - the accompanying information), the banking corporation must submit the accompanying information to the auditor for review a reasonable period before publication, and ask him to inform it if he finds discrepancies between the information in the financial statements and in the accompanying information, or if the accompanying information contains misleading information. The content of this directive does not oblige the auditor to adopt additional auditing procedures or review processes beyond those he would be required to follow in the absence of this directive.

Definitions

2. **“Discrepancy”** - Substantial discrepancy between the financial statements and the accompanying information could be formed, *inter alia* in the following areas: the actual data (amounts and wording), their presentation, the bases of their preparation when the data itself is not comparable and there is no explanation for the differences between the bases and the verbal explanations to the data in the financial statements;
- “Misleading information”** Accompanying information that does not contradict the content of the financial statements, but deviates substantially from other evidence or information which came to the auditor’s attention during the audit or review.

ONLY THE HEBREW VERSION IS BINDING

The auditor's notices

3. (a) If the auditor has discovered a discrepancy or misleading information as stated above and it has not been corrected, he shall inform the chairman of the board of directors committee who approves the financial statements, while clarifying what deficiencies needs to be corrected.
- (b) If the banking corporation is not willing to amend the deficiencies to the auditor's satisfaction, the auditor shall inform the chairman of the board of directors about it, and a copy of this notice shall be included in the published annual or quarterly report. The said notice appearing in the annual or quarterly report shall be included adjacent to the deficient information. The annual report shall also include a reference to this notice in the management report regarding its responsibility for the annual report.

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Date	Details	Version	Circular 06 #
January 3, 1993	Original directive	1	1615
12/95	Renewed version of the Proper Conduct of Banking Business Directive file	7	-----

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