Summary of Significant Comments and Task Force Recommendations—Exposure Draft of Proposed ISA 800 (Redrafted), “Special Considerations—Audit of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement”

A. Background

1. Forty-one comment letters were received on the exposure draft of proposed ISA 800 (Revised and Redrafted) (ED-ISA 800). Overall, respondents were in agreement with the application of the clarity conventions.

2. A preliminary analysis of the significant comments were discussed at the March 3-4, 2008 IAASB Consultative Advisory Group (CAG) meeting. The IAASB CAG Representatives did not have significant comments on the matters highlighted for their consideration.

B. Scope of ED-ISA 800

3. As explained in the Basis for Conclusions: Close Off Document—ISA 800 (Revised),¹ the IAASB agreed that ISA 800 (Revised) should deal with special considerations in audits of special purpose financial statements and of specific elements, accounts or items of a financial statements, while ISA 700 should deal with auditors’ reports on general purpose financial statements. The scopes of ISA 700 and ISA 800 (Revised) were debated extensively during the finalization of the close off document of ISA 800 (Revised). As there was no clear consensus in this regard, it was not surprising that respondents to ED-ISA 800 and the exposure draft of proposed ISA 700 (Redrafted)² sought to reopen the debate.

4. Background information on the IAASB’s earlier decision, the comments on the split between general purpose financial statements (ED-ISA 700) and special purpose financial statements (ED-ISA 800), and the Task Forces’ recommendations are presented in paragraphs 55-61 of Agenda Item 11-A, Summary of Significant Comments and Task Force Recommendations—Exposure Draft of Proposed ISA 700 (Redrafted), “The Independent Auditor’s Report on General Purpose Financial Statements.”

5. In addition to the above, a few respondents to ED-ISA 800 had varying views on how audits of specific elements, accounts or items of a financial statement (for purposes of this paper referred to as specific elements of a financial statement) should be treated:

   • One respondent³ suggested that the scope of ISA 800 (Revised and Redrafted) be restricted to audits of specific elements of a financial statement. This respondent was of the view that special considerations in audits of special purpose financial statements should be incorporated into the other ISAs; i.e., in the way it is done, for example, for special considers in audits of small entities.

² The Basis for Conclusions: Close Off Document—ISA 800 (Revised) can be accessed at http://www.ifac.org/IAASB/Resources.php#BasisForConclusions.
³ ACCA.
Another respondent, however, was concerned about including audits of specific elements of a financial statement within the scope of ISA 800 (Revised and Redrafted). This respondent did not believe that it is appropriate to express a “presents fairly, in all material respects, / gives a true and fair view” opinion on an element. It also did not believe that it is appropriate to apply the full suite of ISAs to work on an element. It noted that the illustrations of auditors’ reports in the appendix to ED-ISA 800 included a statement that “[w]e conducted our audit in accordance with International Standards on Auditing” with no indication as to whether or how the ISAs were “adapted as necessary in the circumstances.”

One respondent suggested that the requirements and guidance for audits of specific elements of a financial statement be moved to an International Standard on Assurance Engagements (ISAE) since, in the respondent’s view, ISAs 100 to 999 are intended to apply to complete sets of financial statements, irrespective of the applicable financial reporting framework.

Task Forces’ Recommendation(s)

6. As set out in Agenda Item 11-A, the ISA 700 and ISA 800 Task Forces recommend the following:

(a) The scope of ISA 700 (Redrafted) should be limited to complete sets of general purpose financial statements. They may be prepared in accordance with a fair presentation or compliance framework. The title of ISA 700 (Redrafted) should be “Forming an Opinion and Reporting on Financial Statements.”

(b) ISA 800 (Revised and Redrafted) should deal with special considerations in audits of complete sets of financial statements prepared in accordance with special purpose frameworks. Such frameworks may be fair presentation or compliance frameworks.

(c) Lastly, special considerations relating to audits of single financial statements and of specific elements, accounts or items of a financial statement will be addressed in a new ISA; that is, ISA 805, “Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement.” The title of ISA 800 (Revised and Redrafted) should be amended to “Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks.”

These proposals are reflected in Agenda Item 12-B, which contains ISA 800 (Revised and Redrafted) with the title “Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks,” and Agenda Item 12-C, which contains ISA 805 (Revised and Redrafted) with the title “Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement.”

7. In addition, the Task Force recommends that the Application and Other Explanatory Material section of ISA 805 (Revised and Redrafted) be amended to (i) include the definitions of “other historical financial information” and “financial statements” in proposed ISA 200 (Revised and

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4 APB.
5 NIVRA.
Redrafted), and (ii) provide additional guidance on the scope of the application of the ISA, including an indication that a reasonable assurance engagement other than an audit of historical financial information is performed in accordance with ISAE 3000 (see paragraphs A1-A4 of Agenda Item 12-C).

**Action Requested**

- Does the IAASB agree with the proposal to remove auditors’ reports on single financial statements from the scope of ISA 800 (Revised and Redrafted)?
- Does the IAASB agree with the proposal to move special considerations in audits of single financial statements and of specific elements of a financial statement to a new ISA?
- Does the IAASB agree with the proposed text explaining the scope of the application of ISA 805 (Revised and Redrafted) (see paragraphs A1-A4 of Agenda Item 12-C)?

**C. Objective**

8. Paragraph 6 of ED-ISA 800 contained the following objective:

“The objective of the auditor is to apply the ISAs by addressing the special considerations that are relevant to:

(a) The acceptance of an engagement to audit special purpose financial statements or a specific element, account or item of a financial statement; and

(b) The planning and performing of, and reporting on, that audit.”

9. Approximately half of the respondents explicitly supported the proposed objective; a few of them suggested refinement. Other respondents, however, did not support the proposed objective. Some found the text of the objective to be unclear or overly complex. A few were of the view that ED-ISA 800 does not contain requirements that directly related to part (a). Some were of the view that the objective does not have to make specific reference to acceptance, planning, performance and reporting as these were covered by the objectives of other ISAs. One was of the view that the objective is process focused.

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6 ISA 200 (Revised and Redrafted), “Overall Objectives of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing.”
7 ISAE 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information.”
8 CICA, CNCC-CSOEC, DTT, ICAEW, ICAI, IRBA.
9 ACAG, IRBA, SAICA.
10 CNCC-CSOEC, CIPFA, DTT, FEE, IBR-IRE, ICAEW, ICAI, IRBA, NAO.
11 NZICA.
Task Force’s Recommendation(s)

10. The Task Force is of the view that the objective appropriately represents the requirements of the ISA and, together with the objectives of the other ISAs, will assist the auditor in achieving the overall objective. However, the Task Force proposes the following clarified and simplified objectives:

ISA 800 (Revised and Redrafted)

“The objective of the auditor, when applying ISAs in an audit of financial statements prepared in accordance with a special purpose framework, is to address appropriately the special considerations that are relevant to:

(a) The acceptance of the engagement;
(b) The planning and performance of that engagement; and
(c) Forming an opinion and reporting on the financial statements.” (See paragraph 5 of Agenda Item 12-B.)

ISA 805 (Revised and Redrafted)

“The objective of the auditor, when applying ISAs in an audit of a single financial statement or of a specific element, account or item of a financial statement, is to address appropriately the special considerations that are relevant to:

(a) The acceptance of the engagement;
(b) The planning and performance of that engagement; and
(c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.” (See paragraph 5 of Agenda Item 12-C.)

11. Based on the comments that the objective does not have to make specific reference to acceptance, planning, performance and reporting, the Task Force considered the following alternative:

“The objective of the auditor is to address appropriately special considerations in the application of ISAs to an audit of a single financial statement or of a specific element, account or item of a financial statement (or financial statements prepared in accordance with a special purpose framework).”

The Task Force prefers the objectives in paragraph 10 of this paper, as they reflect the requirements of the ISAs.

Action Requested

- Does the IAASB agree with the proposed amended objectives?
D. Definitions

12. In line with the proposed amendments to ED-ISA 700 (see Agenda Items 11-A and 11-B), the Task Force recommends that the description of “fair presentation framework” and “compliance framework” in proposed ISA 200 (Revised and Redrafted) be included in the Definitions section of ISA 800 (Revised and Redrafted). See paragraph 6(b) of Agenda Item 12-B.

13. In addition, the Task Force recommends the following:
   
   (a) ISA 800 (Revised and Redrafted) should explain that reference to “financial statements” in the ISA means a complete set of special purpose financial statements, including the related notes. See paragraph 7 of Agenda Item 12-B.
   
   (b) ISA 805 (Revised and Redrafted) should explain that reference to a single financial statement or to a specific element of a financial statement includes the related notes. See paragraph 7 of Agenda Item 12-C.
   
   (c) Both ISAs explain that the related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. In the case of a single financial statement or a specific element of a financial statement, they are those relevant to the financial statement or to the element.

Action Requested

- Does the IAASB agree with the proposed amendments to the Definitions section of ISA 800 (Revised and Redrafted) (see Agenda Item 12-B)?
- Does the IAASB agree with the proposed amendments to the Definitions section of ISA 805 (Revised and Redrafted) (see Agenda Item 12-C)?

E. Requirements

14. The majority of respondents were of the view that the criteria identified by the IAASB for determining whether a requirement should be specified have been applied appropriately and consistently, such that the resulting requirements promote consistency in performance and reporting, and the use of professional judgment by auditors.

15. Although some respondents commented on the appropriateness of some of the requirements or suggested refinement, no single requirement received a significant number of comments. Significant matters relevant to the application of the clarity conventions are highlighted below for consideration by the IAASB.

E.1 ISA 800 (Revised and Redrafted)

E.1.1 Restriction on Distribution or Use

16. Paragraph 14 of ED-ISA 800 required the auditor to include in the auditor’s report on special purpose financial statements a statement that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements and related auditor’s report may not be suitable for another purpose. This statement was to be included in a
separate paragraph following the auditor’s opinion, and under the heading “Other Matter – Restriction on Use.”

17. Paragraph A14 of ED-ISA 800 explained that the auditor may also consider including a statement in the auditor’s report that the auditor’s report is intended solely for the intended users, and should not be distributed to or used by other parties. Where this is the case, the heading would read “Other Matter – Restriction on Use and Distribution.”

18. Diverse comments were received on the requirement and guidance. Two respondents\(^{12}\) suggested that the heading above the requirement read “Restriction on Use,” as the requirement does not deal with distribution. One respondent\(^{13}\) suggested that paragraph A14 of ED-ISA 800 be under a separate heading; that is, “Restriction on Distribution.”

19. One respondent\(^{14}\) was of the view that the requirement in paragraph 14 of ED-ISA 800 does not contain a restriction on either use or distribution; it requires a warning that the financial statements and related auditor’s report may not be suitable for another purpose. This respondent suggested that the heading above the requirement be revised to relate more closely to the requirement – for example, “Warning as to Limited Purpose.”

20. Two respondents\(^{15}\) were of the view that the references in the ISA and illustrations of auditors’ reports should be to “Restriction on Distribution or Use,” as many jurisdictions can only restrict distribution.

21. One respondent\(^{16}\) suggested that restriction on use of the financial statements be addressed separately from restriction on use of the auditor’s report. Another respondent\(^{17}\) was of the view that the requirement is a change from existing practice where the auditor has discretion as to whether to add such a paragraph. This respondent urged the IAASB to consider whether it was necessary to elevate this provision to a requirement. Another respondent,\(^{18}\) however, was of the view that the guidance in paragraph A14 of ED-ISA 800 should be elevated to a requirement.

Task Force’s Recommendation(s)

22. The Task Force agrees that the purpose of the requirement is to alert the readers that the financial statements are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose. The Task Force therefore recommends that (a) the heading above the requirement reads as follows: “Alerting Readers that the Financial Statements are Prepared in Accordance with a Special Purpose Framework;” (b) the requirement in paragraph 14 of Agenda Item 12-B refer to the financial statements (as opposed to the financial statements and related auditor’s report); and (c) the headings of the Other Matter paragraph in the illustrations of auditors’ reports be amended accordingly.

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\(^{12}\) EYG, JICPA.  
\(^{13}\) JICPA.  
\(^{14}\) CICA.  
\(^{15}\) FEE, IDW.  
\(^{16}\) KPMG.  
\(^{17}\) PWC.  
\(^{18}\) BDO.
23. In addition, the Task Force recommends that the guidance in paragraph A14 of ED-ISA 800 be placed under the heading “Restriction on Distribution or Use.” The guidance now indicates that the auditor’s report may include an additional statement that the auditor’s report is intended solely for the intended users, and should not be distributed to or used by other parties. See paragraph A15 of Agenda Item 12-B.

24. In considering the amendments to the exposure draft of proposed ISA 706 (Revised and Redrafted)19 that are proposed to clarify the distinction between Emphasis of Matter and Other Matter(s) paragraphs, the Task Force realized that the alert required by paragraph 14 of Agenda Item 12-B is an emphasis of matter, rather than an other matter since it refers to a matter disclosed in the financial statements. However, the restriction on distribution or use, which is provided for in paragraph A15 of Agenda Item 12-B, is an other matter.

25. The illustrations of auditors’ reports in the appendix to ED-ISA 800, however, included both the alert that the financial statement are prepared in accordance with a special purpose framework and the restriction on distribution or use in the same paragraph. The Task Force is of the view that users’ of the auditor’s report may not necessarily understand a distinction between an Emphasis of Matter paragraph (i.e., the alert) and an Other Matter(s) paragraph (i.e., the restriction on distribution or use) in the auditor’s report, or it may not be relevant to them. The Task Force therefore recommends that, in the case of an alert, the heading in the auditor’s report read “Basis of Accounting” and, in the case of both an alert and a restriction on distribution or use, the heading read “Basis of Accounting and Restriction on Distribution or Use.” No reference is made to “Emphasis of Matter” or “Other Matter(s).” See paragraphs 14 and A15 of and the illustrations of auditors’ reports in the appendix to Agenda Item 12-B.

**Action Requested**
- Does the IAASB agree with the proposed amendments to paragraphs 14 and A14-A15 of and the illustrations of auditors’ reports in the appendix to Agenda Item 12-B?

**E.2 ISA 805 (Revised and Redrafted)**

**E.2.1 Auditor Engaged to Report on a Specific Element of a Financial Statement – Modified Opinion Expressed on the Entity’s Complete Set of Financial Statements as a Whole**

26. The opinion in the auditor’s report on the entity’s complete set of financial statements may be modified, or that report may include an Emphasis of Matter paragraph or an Other Matter(s) paragraph. Where this is the case, paragraph 19 of ED-ISA 800 required the auditor to determine the effect that this may have on the auditor’s report on an element of those financial statements.

27. Paragraph A25 of ED-ISA 800 explained that, in accordance with proposed ISA 705 (Revised and Redrafted),20 if the auditor has expressed an adverse opinion or disclaimed an opinion on the entire financial statements of the entity, the auditor is not permitted to express an unmodified opinion on an element of those financial statements in the same auditor’s report and with respect

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to the same applicable financial reporting framework. However, the auditor may be able to express an unmodified opinion on the element where that opinion is expressed in a separate auditor’s report. This is only possible if the element and the related scope of the audit, including the additional procedures referred to in paragraph A20 of ED-ISA 800, were not intended to and did not encompass so many elements as to constitute a major portion of those financial statements.

28. One respondent was of the view that, if the auditor has issued a disclaimer of opinion on the entire financial statements of the entity, it is not appropriate to report on a specific element of those financial statements. If the auditor were to do so, the auditor would be issuing a “piecemeal opinion,” regardless of whether that opinion is expressed in a separate auditor’s report.

29. Two respondents were of the view that, if paragraph A25 of ED-ISA 800 is intended to explain that the auditor may avoid the prohibition in proposed ISA 705 (Revised and Redrafted) on issuing a “piecemeal opinion” by engaging in two separate audit engagements and issuing two separate opinions in two separate auditors’ reports (i.e., one on the entity’s complete set of financial statements and one a specific element of those financial statements), the explanation should be clarified. Another respondent, however, suggested that the application material be elevated to a requirement.

Task Force’s Recommendation(s)

30. The Task Force concluded that paragraph A25 of ED-ISA 800 is not underpinned by a requirement in the ISAs. The Task Force therefore recommends that it be elevated to a requirement.

31. In expanding the scope of ISA 800 (Revised and Redrafted) to include special considerations in audits of single financial statements, the Task Force considered the application of the requirement in such audits. The Task Force concluded that the auditor should not be permitted to express an unmodified opinion on a single financial statement if the auditor has expressed an adverse opinion or disclaimed an opinion on the entire financial statements of the entity, as the financial statement (e.g., balance sheet or income statement) constitutes a major portion of those financial statements.

32. The Task Force proposes the following new requirements:

   “16. If the auditor has expressed an adverse opinion or disclaimed an opinion on the entire financial statements of the entity, the auditor shall not express an unmodified opinion on a single financial statement of those financial statements.

   17. If the auditor has expressed an adverse opinion or disclaimed an opinion on the entire financial statements of the entity, but nevertheless concludes that it is appropriate to express an unmodified opinion on a specific element of those financial statements, the auditor shall express such an opinion only if:

21 AICPA.
22 CNCC-CSOEC, FEE.
23 GT.
(a) The auditor is not prohibited by law or regulation from doing so;
(b) The specific element does not constitute a major portion of the entire financial statements of the entity; and
(c) That opinion is expressed in an auditor’s report that is not published together with the auditor’s report in which the auditor expressed the adverse opinion or disclaimed an opinion on the entire financial statements of the entity.”

Action Requested

- Does the IAASB agree that the auditor should not be permitted to express an unmodified opinion on a single financial statement if the auditor has expressed an adverse opinion or disclaimed an opinion on the entire financial statements of the entity?
- Does the IAASB agree with the proposed new requirements in paragraph 16 and 17 of Agenda Item 12-C?

F. Significant Comments that Do Not Relate to the Application of the Clarity Conventions

F.1 Form of Opinion—Audits of Specific Elements, Accounts or Items of a Financial Statement

33. Paragraph A23 of ED-ISA 800 read as follows:

“Our otherwise required by law or regulation, in accordance with [proposed] ISA 200 (Revised and Redrafted) in conjunction with [proposed] ISA 700 (Redrafted), the opinion paragraph of the auditor’s report on an element states that the element gives a true and fair view or presents fairly, in all material respects, in accordance with the applicable financial reporting framework when that framework is a fair presentation framework. In all other cases, the auditor’s opinion states that the element is prepared, in all material respects, in accordance with the applicable financial reporting framework …”

34. Some respondents did not believe that it was appropriate to express a “presents fairly, in all material respects, / gives a true and fair view” opinion on a specific element of a financial statement. One respondent was of the view that such an opinion is appropriate only for complete sets of financial statements and balance sheets prepared in accordance with a fair presentation framework. A few other respondents believed that such an opinion is appropriate only for a complete set of financial statements prepared in accordance with a fair presentation framework.

35. One respondent referred to paragraph A7 of ED-ISA 800, which dealt with financial statements prepared in accordance with a special purpose framework that is based on a financial reporting framework established by an authorized or recognized standards setting organization or by law or regulation, but that does not comply with all the requirements of that framework. Paragraph A7 of ED-ISA 800 stated that, when this is acceptable in the circumstances of the

24 APB, CNCC-CSOEC, FEE, HKICPA, IBR-IRE, ICAEW, ICJCE, NIVRA, PWC.
25 CIPFA.
engagement, it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial statements to imply full compliance with the financial reporting framework established by the authorized or recognized standards setting organization or by law or regulation. This respondent noted that ED-ISA 800 did not include a similar explanation for a specific element of a financial statement prepared in accordance with such a framework and, as a result, paragraph A23 of ED-ISA 800 appears to suggest that, where an entity prepares the element in accordance with an established framework, it can be considered compliant with that framework. This respondent was of the view that this would be problematic for frameworks, such as International Financial Reporting Standards (IFRS), which are designed for complete sets of financial statements and which explicitly do not allow reduced disclosures to be represented as being compliant with that framework.

36. Another respondent\(^{26}\) also noted that it was not able to identify a recognized financial reporting framework that explicitly deals with financial information other than complete sets of financial statements. This respondent was concerned that the approach in ED ISA 800 may lead to inconsistencies in practice as judgments will be made as to whether a general purpose framework allows for partial compliance (e.g., preparation of only a cash flow statement, or a single element or line item of the financial statements).

37. A few respondents\(^{27}\) believed that the IAASB should acknowledge that, under some financial reporting frameworks (including IFRS and certain European financial reporting frameworks), presenting a single financial statement or a specific element of a financial statement in isolation may not be adequate for purposes of claiming compliance with that specific framework. To recognize this, a few respondents\(^{28}\) suggested that the IAASB consider specifying that, in some jurisdictions, the phrase “gives a true and fair view” is historically associated, in law or practice, with a complete set of financial statements, whereas the phrase “presents fairly, in all material respects,” has more often been associated with a single financial statement or a specific element of a financial statement.

38. Another respondent\(^{29}\) was of the view that, as a result of the complexity of the first sentence of paragraph A23 of ED-ISA 800, it appears that the auditor is required to give a “presents fairly, in all material respects, / gives a true and fair view” opinion on an element of a financial statement when that element is prepared in accordance with a fair presentation framework. However, in certain circumstances, for example, when reporting on an element such as an accounts receivable schedule – even if the schedule is prepared using the relevant provisions of a fair presentation framework – such an opinion may not be appropriate. This respondent suggested that ISA 800 (Revised and Redrafted) address this by permitting (as opposed to requiring) a “presents fairly, in all material respects, / gives a true and fair view” opinion on an element of a financial statement.

39. One respondent\(^{30}\) expressed concern about some of the opinions in the illustrative auditors’ reports in the appendix to ED-ISA 800. This respondent was of the view that a statement of cash

\(^{26}\) PWC.
\(^{27}\) CNCC-CSOEC, FEE, IBR-IRE.
\(^{28}\) CNCC-CSOEC, FEE, IBR-IRE, ICAEW.
\(^{29}\) EYG.
\(^{30}\) NZICA.
receipts and disbursements would not comply with generally accepted accounting practice, which has a specific meaning in the jurisdiction of the respondent and includes the accrual basis. The phrase “presents fairly, in all material respect” in the auditor’s opinion is thus inappropriate. The respondent also noted that the phrase “prepared, in all material respects,” in the auditor’s opinion in the other illustrations of auditors’ reports could be misinterpreted. Although the financial information may be prepared in accordance with the stated accounting policies, it may nevertheless be materially misstated. For example, inventory may be stated at cost using FIFO, but it may be incomplete. This respondent was of the view that the “true” aspect of “true and fair” is missing in those opinions. In the jurisdiction of the respondent, the phrase “fairly represent” is gaining traction.

Task Force’s Recommendation(s)

40. The Task Force recommends that the IAASB’s earlier decision to link the form of opinion to the applicable financial reporting framework not be amended at this stage.

41. However, the Task Force recommends that the comments received are addressed by including additional special considerations when accepting an engagement to report on a single financial statement or a specific element of a financial statement, and in forming the opinion on the financial statement or the element.

Considerations when Accepting the Engagement

42. Paragraph 9 of Agenda Item 12-C now requires the auditor to obtain an understanding of the steps taken by management to determine that application of the financial reporting framework will result in a single financial statement or a specific element of a financial statement that provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element and the effect of material transactions and events on that information. This is a special consideration to the requirement in proposed ISA 210 (Redrafted)\(^3\) to determine the acceptability of the framework applied in the preparation and presentation of the financial statements.

43. Paragraph 10 of Agenda Item 12-C now requires the auditor to consider whether the expected form of opinion is appropriate in the circumstances. This is a special consideration to the requirement in proposed ISA 210 (Redrafted) for the agreed terms of the audit engagement to include the expected from of any reports to be issued by the auditor.

44. Paragraph A22 of ED-ISA 800, appropriately amended, is presented as application material to the requirement referred to in paragraph 42 of this paper. See paragraph A7 of Agenda Item 12-C, which reads: “In the case of a single financial statement or of a specific element of a financial statement, it is particularly important that the financial statement or the element, including the related notes, provides adequate disclosures, especially when the financial reporting framework encompasses a financial reporting framework established by an authorized or recognized standards setting organization for the preparation and presentation of a complete set of financial statements (e.g., International Financial Reporting Standards).”

\(^3\) Proposed ISA 210 (Redrafted), “Agreeing the Terms of Audit Engagements.”
45. New application material has been developed for the requirement referred to in paragraph 43 of this paper. It reads as follows:

“A8. The form of opinion to be expressed by the auditor depends on the applicable financial reporting framework and any applicable laws or regulations. In accordance with ISA 700 (Revised):

(a) When expressing an unmodified opinion on a complete set of financial statements prepared and presented in accordance with a fair presentation framework, the auditor’s opinion, unless otherwise required by law or regulation, uses one of the following phrases: (i) the financial statements present fairly, in all material respects, in accordance with [the applicable financial reporting framework]; or (ii) the financial statements give a true and fair view in accordance with [the applicable financial reporting framework]; and

(b) When expressing an unmodified opinion on a complete set of financial statements prepared and presented in accordance with a compliance framework, the auditor’s opinion states that the financial statements are prepared, in all material respects, in accordance with [the applicable financial reporting framework].

A9. In the case of a single financial statement or a specific element of a financial statement, the applicable financial reporting framework may not explicitly address the presentation of the financial statement or the element, or the use of the terms “fair presentation” or “true and fair.” For example, this may be the case when the applicable financial reporting framework encompasses a financial reporting framework established by an authorized or recognized standards setting organization for the preparation and presentation of a complete set of financial statements (e.g., International Financial Reporting Standards).

A10. Adaptation of the ISAs when applied to an audit of a single financial statement or of a specific element of a financial statement therefore, includes consideration of whether the expected form of opinion is appropriate in the circumstances. For example, in the case of a single financial statement or a specific element of a financial statement prepared and presented in accordance with a fair presentation framework, the auditor considers whether use of the phrases “presents fairly, in all material respects,” or “gives a true and fair view” is appropriate in the circumstances.

A11. Factors that may affect the auditor’s consideration as to whether to use the phrases “presents fairly, in all material respects,” or “gives a true and fair view,” include:

• Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation and presentation of a complete set of

32 ISA 200 (Revised and Redrafted), paragraph 8.
33 ISA 200 (Revised and Redrafted), paragraph 2.
financial statements;

- Whether the single financial statement or the element of a financial statement will:
  - Comply fully with each of those requirements of the framework relevant to the particular financial statement or the particular element, and the presentation of the financial statement or the element include the related notes.
  - If necessary to achieve fair presentation, provide disclosures beyond those specifically required by the framework or, in exceptional circumstances, depart from a requirement of the framework.
- Whether it has been accepted practice in the relevant jurisdiction to use such phrases in opinions on the type of information presented.”

**Action Requested**

- Does the IAASB agree with the proposed new requirements in paragraphs 9 and 10 of Agenda Item 12-C?
- Does the IAASB agree with the amended application material in paragraph A7 of Agenda Item 12-C?
- Does the IAASB agree with the new application material in paragraphs A8-A11 of Agenda Item 12-C?

**F.2 Considerations when Forming an Opinion**

46. Paragraph 11 of ED-ISA 800 required the auditor, when forming an opinion and reporting on special purpose financial statements, to apply the requirements in ISA 700 (Redrafted). ED-ISA 800, however, did not contain a similar requirement for audits of specific elements of a financial statement. Such requirement is now included in paragraph 12 of Agenda Item 12-C. Application material to the requirement, which is based on paragraph A22 of ED-ISA 800, explains that ISA 700 (Redrafted) requires the auditor, in forming an opinion, to evaluate whether the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements. In the case of a single financial statement or of a specific element of a financial statement, it is important that the financial statement or the element, including the related notes, in view of the requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element and the effect of material transactions and events on that information. See paragraph A17 of Agenda Item 12-C.

**Action Requested**

- Does the IAASB agree with the proposed new requirements in paragraph 12 of Agenda Item
12-C?

- Does the IAASB agree with the new application material in paragraph A17 of Agenda Item Y-C?
### APPENDIX

#### List of Respondents

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<th>Organization</th>
<th>Member Body Organization</th>
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<td>American Institute of Certified Public Accountants</td>
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<td>Chartered Institute of Public Finance and Accountancy</td>
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<td>5 CNCC/CSOEC</td>
<td>Compagnie Nationale des Commissaires aux Comptes /Conseil Superieur de l’Ordre des Experts-Comptables/</td>
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