PROPOSED INTERNATIONAL STANDARD ON AUDITING 800 805
(REVISED AND REDRAFTED)

SPECIAL CONSIDERATIONS—AUDITS OF SPECIAL-PURPOSE SINGLE
FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF
A FINANCIAL STATEMENT [ISSUE B]

(Effective for engagements for periods beginning on or after [date: December 15, 2009]*)

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Audits of Specific Elements, Accounts or Items of a Financial Statement

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Appendix 1: Examples of Specific Elements, Accounts or Items of a Financial Statement

Appendix 2: Illustrations of Auditors’ Reports on Special Purpose Single Financial Statements and a Specific Element of a Financial Statement

International Standard on Auditing (ISA) 800 805 (Revised and Redrafted), “Special Considerations—Audits of Special Purpose Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement” should be read in conjunction with [proposed] ISA 200 (Revised and Redrafted), “Overall Objectives of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing.”
Introduction

Scope of this ISA [ISSUE B]

[800.1] Proposed International Standard on Auditing (ISA) 200 (Revised and Redrafted), “Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing” explains that the ISAs are written in the context of an audit of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This ISA deals with special considerations relevant to an audit of special purpose a single financial statements. It also deals with special considerations, including the adaptation of ISAs, relevant to an audit of or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. Examples of specific elements, accounts or items of a financial statement are listed in Appendix 1. (Ref: Para. A1-A4)

[800.4] Proposed ISA 705 (Revised and Redrafted), “Modifications to the Opinion in the Independent Auditor’s Report” deals with circumstances that may result in a modified opinion, the type of modification required, and how the form and content of the auditor’s report is affected in such circumstances. Proposed ISA 706 (Revised and Redrafted), “Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor’s Report” deals with circumstances when the auditor considers including an Emphasis of Matter paragraph or an Other Matter(s) paragraph in the auditor’s report, and the form and placement of such paragraphs.

[800.2] This ISA does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of group financial statements (see ISA 600 (Revised and Redrafted), “Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors).”)

[800.3] This ISA does not override the requirements of the other ISAs; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

[800.5] This ISA is effective for engagements audits of single financial statements or of specific elements, accounts or items for periods beginning on or after [date] December 15, 2009. In the case of audits of single financial statements or of specific elements, accounts or items of a financial statement prepared and presented as at a specific date, this ISA is effective for engagements to report on such information as at a date on or after December 14, 2010.

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1 ISA 600 (Revised and Redrafted), “Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors).”

2 This date will not be earlier than December 15, 2008.
Objective [ISSUE C]

[800.6]5. The objective of the auditor is to when applying the ISAs in an audit of a single financial statement or of a specific element, account or item of a financial statement, by addressing is to address appropriately the special considerations that are relevant to:

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

(b) The planning and performing 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.

Definitions

[800.8]6. The term “financial statements” in this ISA can refer to a complete set of financial statements or a single financial statement, including related explanatory notes. The term Reference to “element(s) of a financial statement” or “element(s)” in this ISA means “specific element(s), account(s) or item(s) of a financial statement.”

[ISSUE D] [800.8]7. should be understood to Reference to a single financial statement or to a specific element of a financial statement includes the related explanatory notes. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information relevant to the financial statement or to the element.

Requirements

Audits of Specific Elements, Accounts or Items of a Financial Statement

Considerations when Accepting the Engagement

Application of ISAs

[800.15]8. As required by [proposed] ISA 200 (Revised and Redrafted), requires the auditor applies to comply with all ISAs relevant to the audit of the specific element, account or item of a financial statement (referred to as “element” in paragraphs 16-19). In the case of an audit of a single financial statement or of a specific element of a financial statement, this requirement applies irrespective of whether the auditor is also engaged to audit the entity’s complete set of financial statements. [800.16] When the auditor is not also engaged to audit the entity’s complete set of financial statements, the auditor shall determine whether the auditor is engaged to audit the financial statements or of a specific element of those financial statements in accordance with ISAs is practicable. (Ref: Para. 485-A6)

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4. The requirements of the applicable financial reporting framework determine the form and content of the financial statements and what constitutes a complete set of financial statements.

4. ISA 200 (Revised and Redrafted), “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with international Standards on Auditing,” paragraph 18,
Acceptability of the Financial Reporting Framework [ISSUE F.1]

9. [Proposed] ISA 210 (Redrafted) requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation and presentation of the financial statements. In the case of an audit of a single financial statement or of a specific element of a financial statement, the auditor shall 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. (Ref: Para. A7)

Form of Opinion [ISSUE F.1]

10. [Proposed] ISA 210 (Redrafted) requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor. In the case of an audit of a single financial statement or of a specific element of a financial statement, the auditor shall consider whether the expected form of opinion is appropriate in the circumstances. (Ref: Para. A8-A11)

Considerations when Planning and Performing the Audit

[800.15]11. ISA 200 (Revised and Redrafted) states that as the ISAs are written in the context of an audit of financial statements, they are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. In planning and performing the audit of a single financial statement or of a specific element of a financial statement, the auditor shall adapt all the ISAs relevant to the audit of the element shall be adapted as necessary in the circumstances of the engagement. (Ref: Para. A15-A17, A19-A22 A12-A16)

Forming an Opinion and Reporting Considerations

[ISSUE F.2] 12. When forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in ISA 700 (Redrafted), adapted as necessary in the circumstances of the engagement. (Ref: Para. A17)

[800.17]13. When If the auditor undertakes an engagement to report on an single financial statement or on a specific element of a financial statement in conjunction with an

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6  [Proposed] ISA 210 (Redrafted), paragraph [8(e)].
7  ISA 200 (Revised and Redrafted), paragraph 2.
8  ISA 200 (Revised and Redrafted), paragraph 13(f), explains that the term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement.
9  ISA 700 (Redrafted), “Forming an Opinion and Reporting on Financial Statements.”
engagement to audit the entity’s complete set of financial statements, the auditor shall express a separate opinion for each engagement. (Ref: Para. A23)

[800.18]14. When Subject to paragraph 17(c), the entity intends to may publish an audited single financial statement or an audited specific element of a financial statement together with its audited complete set of financial statements. If this is the case, the entity’s presentation of the audited single financial statement or of the specific element of a financial statement should differentiate it sufficiently from the audited complete set of financial statements. If the auditor concludes that the differentiation is insufficient, the auditor shall ask management to rectify the situation. The auditor’s opinion on the single financial statement or on the specific element of a financial statement should also be differentiated sufficiently from the auditor’s opinion on the complete set of financial statements. The auditor shall not issue the auditor’s report on the single financial statement or on the specific element of a financial statement until satisfied with the differentiation.

[800.19]15. When If the opinion in the auditor’s report on an entity’s complete set of financial statements is modified, or that report includes an Emphasis of Matter paragraph or an Other Matter(s) paragraph, the auditor shall determine the effect that this may have on the auditor’s report on a single financial statement or on a specific element of those financial statements. When deemed appropriate, the auditor shall modify the opinion in the auditor’s report on the single financial statement or on the specific element of a financial statement, or include an Emphasis of Matter paragraph or an Other Matter(s) paragraph in that report, accordingly. (Ref: Para. A24-A25 A18)

[ISSUE E.2.1] 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.

[ISSUE E.2.1] 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:

(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.
Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 1) [ISSUE B]

A1. ISA 200 (Revised and Redrafted) defines the term “historical financial information” as information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.10

A2. ISA 200 (Revised and Redrafted) defines the term “financial statements” as a structured representation of historical financial information, which includes any including related explanatory notes, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement.11

A3. ISAs are written in the context of an audit of financial statements;12 they are to be adapted as necessary in the circumstances when applied to an audit of other historical financial information, such as a single financial statement or a specific element of a financial statement. This ISA assists in this regard. (Appendix 1 lists examples of such other historical financial information.)

A4. A reasonable assurance engagement other than an audit of historical financial information is performed in accordance with International Standard on Assurance Engagements (ISAE) 3000.13

Audits of Special Purpose Financial Statements

Audits of Specific Elements, Accounts or Items of a Financial Statement

Considerations when Accepting the Engagement (Ref: Para. 15-16)

Application of ISAs (Ref: Para. 8)

[800.A15]A5. [Proposed] ISA 200 (Revised and Redrafted) requires the auditor to comply with (a) relevant ethical requirements relating to an financial statement audit engagements, and (b) all ISAs relevant to the audit.14 It also requires the auditor to comply with the each requirements of each of the relevant of an ISAs in all cases where the requirements are relevant to the audit unless, in exceptional circumstances of the audit, the entire ISA is not relevant or the requirement is not relevant because it is conditional and the condition does not exist.15 In exceptional circumstances, the auditor

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10 ISA 200 (Revised) and Redrafted), paragraph 13(g).
11 ISA 200 (Revised) and Redrafted), paragraph 13(f).
12 ISA 200 (Revised) and Redrafted), paragraph 2.
13 ISAE 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information.”
14 ISA 200 (Revised and Redrafted), paragraphs 14 and 18.
15 ISA 200 (Revised and Redrafted), paragraphs 22.
May judges it necessary to depart from a relevant requirement in an ISA by performing alternative audit procedures to achieve the aim of that requirement.\footnote{ISA 200 (Revised and Redrafted), paragraphs 23.}

Compliance with relevant the requirements of ISAs relevant to the audit of a single financial statement or of a specific element of a financial statement may not be practicable when the auditor is not also engaged to audit the entity’s complete set of financial statements. In such cases, the auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity’s complete set of financial statements. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity’s complete set of financial statements. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In some the cases of an audit of a specific element of a financial statement, certain ISAs require audit work that may be disproportionate to the element being audited. For example, although the requirements of \footnote{ISA 570 (Redrafted), “Going Concern.”} are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.

**Acceptability of the Financial Reporting Framework** (Ref: Para. 9) \footnote{ISSUE F.1}

In the case of a single financial statement or of a specific element of a financial statement, it is particularly important that management’s presentation of the financial statement or the element, including the related notes, in view of the specific requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the element, 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).

**Form of Opinion** (Ref: Para. 10) \footnote{ISSUE F.1}

A8. The form of opinion to be expressed by the auditor depends on the applicable financial reporting framework and any applicable laws or regulations.\footnote{ISA 200 (Revised and Redrafted), paragraph 8.} In accordance with ISA 700 (Redrafted):

(a) When expressing an unmodified opinion on a complete set of financial statements

\[800.A18\]
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 of a specific element of a financial statement, the applicable financial reporting framework may not explicitly address the presentation of the financial statement or of 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 of 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 financial statements;
- Whether the single financial statement or the specific 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.

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19 ISA 200 (Revised and Redrafted), paragraph 2.
Considerations when Planning and Performing the Audit (Ref: Para. 11)

[800.A16]A12. The relevance of each of the ISAs requires careful consideration. Even when only an specific element of a financial statement is the subject of the audit, ISAs such as ISA 240 (Redrafted), “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements.” [proposed] ISA 550 (Revised and Redrafted), “Related Parties.” and [proposed] ISA 570 (Redrafted), “Going Concern” are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern assumption under the applicable financial reporting framework.

[800.A17]A13. Furthermore, ISAs are written in the context of an audit of financial statements; all relevant ISAs are to be adapted as necessary in the circumstances when applied to the audit of a single financial statement or of a specific element of a financial statement. For example, written representations from management about the complete set of financial statements as a whole might be replaced by written representations about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework.

[800.A19]A14. When auditing a single financial statement or a specific element of a financial statement in conjunction with the audit of the entity’s complete set of financial statements, the auditor may be able to use audit evidence obtained as part of the audit of the entity’s complete set of financial statements in the audit of the financial statement or the element. ISAs, however, require the auditor to plan and perform the audit of the financial statement or element to obtain sufficient appropriate audit evidence on which to base the opinion on the financial statement or on the element.

[800.A20]A15. Many financial statement items are interrelated, and are presented with the related explanatory notes. Accordingly, when auditing a single financial statement or a specific element of a financial statement, the auditor may not be able to consider the financial statement or the element in isolation. Consequently, the auditor may need to perform procedures in relation to the interrelated items to meet the objective of the audit.

[800.A21]A16. Furthermore, the materiality level determined for a single financial statement or for a specific element of a financial statement may be lower than the materiality level or levels determined for the entity’s complete set of financial statements; this will affect the nature, timing and extent of the audit procedures.

Forming an Opinion and Reporting Considerations (Ref: Para 17, 19 12, 15)

[800.A22]A17. 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 management’s presentation of the financial statement or the element, including the related notes, in view of the applicable requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand fully the effect of material transactions and events on the information conveyed in the financial statement or the element and the effect of material transactions and events on that information.

[800.A23] Unless 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.

[800.A24]A18. When either a modified opinion on the entity’s financial statements or an Emphasis of Matter paragraph relates to the audited element, the auditor may conclude that it is necessary to modify the auditor’s report on the element in a similar manner. Even when a the modified opinion on the entity’s complete set of financial statements or an Emphasis of Matter paragraph or Other Matter(s) paragraph does not relate to the audited financial statement or the audited element, the auditor may still conclude that it is necessary to refer to the modified opinion or Emphasis of Matter modification in an Other Matter(s) paragraph in the auditor’s report on the financial statement or on the element because the auditor judges it to be important relevant to the users’ understanding of the audited financial statement or the audited element or the related auditor’s report (see [proposed] ISA 706 (Revised and Redrafted)).

[ISSUE E.2.1] [800.A25] In accordance with [proposed] ISA 705 (Revised and Redrafted), if the auditor has expressed an adverse opinion or disclaimed an opinion on the entity’s financial statements as a whole, 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 to the same applicable financial reporting framework (referred to in [proposed] ISA 705 (Revised and Redrafted) as a “piecemeal opinion”). 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 to be reported on and the related scope of the audit, including the additional procedures referred to in paragraph A20, were not intended to, and did not, encompass so many elements as to constitute a major portion of those financial statements.

[800.A23]A19. Appendix 2 of this ISA contains an illustrations of an auditor’s report on a single financial statement and on a specific-account element of a financial statement

23 ISA 706 (Revised and Redrafted), paragraph 6.
(see Illustration 4).
Examples of Specific Elements, Accounts or Items of a Financial Statement

- Accounts receivable, allowance for doubtful accounts receivable, inventory, the liability for accrued benefits of a private pension plan, the recorded value of identified intangible assets, or the liability for “incurred but not reported” claims in an insurance portfolio, including related explanatory notes.
- A schedule of externally managed assets and income of a private pension plan, including related explanatory notes.
- A schedule of net tangible assets, including related explanatory notes.
- A schedule of disbursements in relation to a lease property, including related explanatory notes.
- A schedule of profit participation or employee bonuses, including related explanatory notes.
Illustrations of Auditors’ Reports on Special Purpose Financial Statements a Single Financial Statement and Specific Element of a Financial Statement

- [From ISA 700 (Redrafted).] Illustration 3.1: An auditor’s report on a single financial statement prepared in accordance with a fair presentation general purpose framework designed to meet the common financial information needs of a wide range of users, which is a fair presentation framework.
- Illustration 3.2: An auditor’s report on a single financial statement prepared in accordance with a special purpose framework, which is a fair presentation framework.
- Illustration 4.3: An auditor’s report on a specific element, account or item of a financial statement prepared in accordance with a special purpose framework, but which is not a fair presentation framework.
Illustration 3.1:

Circumstances include the following:

- Audit of a balance sheet (i.e., a single financial statement).
- The balance sheet has been prepared by the management of the entity in accordance with the requirements of the Financial Reporting Framework in Country Jurisdiction X relevant to preparing and presenting a balance sheet (for purposes of this illustration a fair presentation framework designed to meet the common financial information needs of a wide range of users).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in [proposed] ISA 210 (Redrafted).
- The auditor has determined that it is appropriate to use the phrases “presents fairly, in all material respects,” in the auditor’s opinion.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying balance sheet of ABC Company as at December 31, 20X1 and a summary of significant accounting policies and other explanatory notes information (together “the financial statement”).

Management’s Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with those requirements of the Financial Reporting Framework in Country Jurisdiction X relevant to preparing and presenting such a financial statement. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statement that is 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 statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgment,
including the assessment of the risks of material misstatement of the financial statement, 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 statement 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.\footnote{In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances.”} An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

\textbf{Opinion}

In our opinion, the financial statement presents fairly, in all material respects, the financial position of ABC Company as at December 31, 20X1 in accordance with those requirements of the Financial Reporting Framework in Country\textsuperscript{\footnote{\textit{Jurisdiction \textsuperscript{X} relevant to preparing and presenting such a financial statement.}}} relevant to preparing and presenting such a financial statement.

[Auditor’s signature]
[Date of the auditor’s report]
[Auditor’s address]
Illustration 3.2:
Circumstances include the following:

- Audit of a statement of cash receipts and disbursements (i.e., a single financial statement).
- The financial statement has been prepared by the management of the entity in accordance with the cash receipts and disbursements basis of accounting (for purposes of this illustration a fair presentation framework designed to meet the financial information needs of specific users) to respond to a request for cash flow information received from a creditor (i.e., a specific purpose). Management has a choice of financial reporting frameworks.
- **The auditor has determined that it is appropriate to use the phrases “presents fairly, in all material respects,” in the auditor’s opinion.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying statement of cash receipts and disbursements of ABC Company for the year ended December 31, 20X1 and a summary of significant accounting policies and other explanatory notes information (together “the financial statement”).

Management’s Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X for the purpose of providing information to XYZ Creditor. This responsibility includes: determining that the cash receipts and disbursements basis of accounting is an acceptable basis for preparing and presenting the preparation and presentation of the financial statement in the circumstances; and the designing, implementing and maintaining design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates, if any, that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statement is free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the cash receipts and disbursements of ABC Company for the year ended December 31, 20X1 in accordance with the cash receipts and disbursements basis of accounting described in Note X.

Other Matter – Restriction on Use – Basis of Accounting [and Restriction on Distribution or Use]

We draw attention to Note X to the financial statement, which explains that the financial statement is prepared in accordance with the cash receipts and disbursements basis of accounting described in Note X for purposes of providing information to XYZ Creditor. As a result, the statement and related auditor’s report may not be suitable for another purpose. [Our report is intended solely for ABC Company and XYZ Creditor and should not be distributed to or used by parties other than ABC Company or XYZ Creditor.]

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]
Illustration 4:

Circumstances include the following:

- Audit of the liability for “incurred but not reported” claims in an insurance portfolio (i.e., element, account or item of a financial statement).
- The financial information has been prepared by the management of the entity in accordance with the financial reporting provisions established by a regulator (i.e., a special purpose framework, but which is not a fair presentation framework) to meet the requirements of that regulator (i.e., a specific purpose). Management does not have a choice of financial reporting frameworks.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in [proposed] ISA 210 (Redrafted).

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying schedule of the liability for “incurred but not reported” claims of ABC Insurance Company as of December 31, 20X1 (“the schedule”).

Management’s Responsibility for the Schedule

Management is responsible for the preparation and presentation of the schedule in accordance with [describe the financial reporting provisions established by the regulator]. This responsibility includes: designing, implementing and maintaining the design, implementation and maintenance of internal control relevant to the preparation and presentation of the schedule that is 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 schedule based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

\[27\] Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.
effectiveness of the entity’s internal control. An audit also 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 schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial information in the schedule of the liability for “incurred but not reported” claims of ABC Insurance Company as of December 31, 20X1 is prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulator].

**Other Matter—Restriction on Use—Basis of Accounting [and Restriction on Distribution or Use]**

We draw attention to Note X to the schedule, which explains that the schedule is prepared in accordance with [describe the financial reporting provisions established by the regulator] and it and the related auditor’s report. As a result, the schedule may not be suitable for another purpose. [Our report is intended solely for ABC Insurance Company and [insert name of regulator] and should not be distributed to or used by parties other than ABC Insurance Company or [insert name of regulator].]

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]