

Exposure Draft

January 2015

Comments due: April 22, 2015

*Proposed International Standards on Auditing™
(ISAs™)*

*ISA 800 (Revised), Special
Considerations—Audits of Financial
Statements Prepared in Accordance with
Special Purpose Frameworks*

and

*ISA 805 (Revised), Special
Considerations—Audits of Single Financial
Statements and Specific Elements,
Accounts or Items of a Financial Statement*

*Proposed Conforming Amendment to
Another ISA*

IAASB

International Auditing
and Assurance
Standards Board®

This Exposure Draft was developed and approved by the International Auditing and Assurance Standards Board (IAASB®).

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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REQUEST FOR COMMENTS

This Exposure Draft, Proposed ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and Proposed ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, was developed and approved by the International Auditing and Assurance Standards Board (IAASB).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by April 22, 2015.**

Respondents are asked to submit their comments electronically through the IAASB website, using the “Submit a Comment” ^[DJ1]link. Please note that all fields are required. In order to be accepted, comments must be submitted in both PDF and Word formats. First-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the IAASB’s website. This publication may be downloaded free of charge from the IAASB website: www.iaasb.org. The approved text is published in the English language.

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EXPLANATORY MEMORANDUM

Introduction

1. This memorandum provides background to, and an explanation of, proposed International Standard on Auditing (ISA) 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, and proposed ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*. The International Auditing and Assurance Standards Board (IAASB) approved the proposed ISAs in December 2014 for exposure.

Background

2. In September 2014, the IAASB unanimously approved its new and revised Auditor Reporting standards and related conforming amendments, which comprise:
 - ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*
 - New ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*
 - ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*
 - ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
 - ISA 570 (Revised), *Going Concern*
 - ISA 260 (Revised), *Communication with Those Charged with Governance*
 - Conforming amendments to ISAs 210,¹ 220,² 230,³ 510,⁴ 540,⁵ 580,⁶ 600,⁷ and 710.⁸

The Public Interest Oversight Board (PIOB) has confirmed that [due process](#) has been followed in their development, and the [new and revised Auditor Reporting standards](#) were issued on January 15, 2015.

3. In finalizing these standards, the IAASB agreed that it would be in the public interest to develop a separate exposure draft (ED) to consider how such changes should affect:
 - ISA 800, which deals with special considerations in the application of the ISAs (100-700 series) to an audit of financial statements that are prepared in accordance with a special purpose framework.⁹ This ISA is written in the context of a complete set of financial statements prepared in accordance with a special purpose framework; and

¹ ISA 210, *Agreeing the Terms of Audit Engagements*

² ISA 220, *Quality Control for an Audit of Financial Statements*

³ ISA 230, *Audit Documentation*

⁴ ISA 510, *Initial Audit Engagements—Opening Balances*

⁵ ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

⁶ ISA 580, *Written Representations*

⁷ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁸ ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*

⁹ A special purpose framework is defined in the ISAs as a financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.

- ISA 805, which deals with special considerations in the application of the ISAs (100-700 series) to an audit of a single financial statement or a specific element, account or item of a financial statement (referred to hereafter as “element of a financial statement” or “element”). If the single financial statement or element is prepared in accordance with a special purpose framework, ISA 800 also applies to the audit.

However, the IAASB agreed that any amendments to ISA 800 or ISA 805 would be limited to the reporting in such engagements and are not intended to substantively change the underlying premise of audits of financial statements prepared in accordance with a special purpose framework (i.e., engagements to which ISA 800 applies), or audits of single financial statements and audits of a specific element, account or item of a financial statement (i.e., engagements to which ISA 805 applies) in accordance with the extant ISAs.¹⁰

Guide for Respondents

The IAASB welcomes comments on all matters addressed in this ED, but especially those identified in the Request for Comments below. In particular, the IAASB is interested in:

- Understanding respondents’ views as to how the new and revised Auditor Reporting standards that will be required for complete sets of general purpose financial statements should affect auditor’s reports on special purpose financial statements; and
- Whether its proposals relating to the communication of key audit matters (KAM) in the context of ISA 805 engagements are appropriate (see paragraphs 25–32, and question 3).

Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in this ED (especially those calling for change in current practice), it will be helpful for the IAASB to be made aware of this view as this cannot always be inferred when not stated.

Significant Matters

Relationship of ISA 800 and ISA 805 to ISA 700 (Revised) and Other ISAs in the 100-700 Series

4. Auditor reporting on audits of financial statements that are prepared in accordance with a special purpose framework (i.e., engagements to which ISA 800 applies) is linked directly to the reporting requirements in extant ISA 700.¹¹ The same is true for audits of a single financial statement or of a

¹⁰ For ease of reference, “an audit of financial statements prepared in accordance with a special purpose framework” and “an engagement to which proposed ISA 800 (Revised) applies” are hereafter referred to as an “ISA 800 engagement”, and the resulting auditor’s report issued thereon is referred to as an “ISA 800 auditor’s report.” Similarly, “audits of single financial statements and audits of a specific element, account or item of a financial statement” and “an engagement to which ISA 805 applies” are hereafter referred to as an “ISA 805 engagement”, and the resulting auditor’s report issued thereon is referred to as an “ISA 805 auditor’s report.” All ISAs in the 100-700 series (including the new and revised Auditor Reporting standards) apply to those engagements and, as such, the auditor’s reports for the engagements to which the extant standards apply, as well as engagements to which proposed ISA 800 (Revised) and proposed ISA 805 (Revised) will apply, refer to “International Standards on Auditing”.

¹¹ See paragraph 11 of proposed ISA 800 (Revised), which states that “When forming an opinion and reporting on special purpose financial statements, the auditor shall apply the requirements in ISA 700 (Revised).”

specific element, account or item of a financial statement (i.e., engagements to which ISA 805 applies).¹²

5. As a result, the IAASB considered it necessary to undertake a detailed review of the enhancements to the auditor's report addressed within the new and revised Auditor Reporting standards and determine whether these enhancements would be appropriate for auditor's reports for ISA 800 and ISA 805 engagements.
6. The IAASB agreed in principle that the enhancements resulting from the new and revised Auditor Reporting standards that would apply to audits of complete sets of general purpose financial statements should also apply to ISA 800 and ISA 805 engagements.
7. The IAASB also agreed to retain the approach in extant ISA 800 and extant ISA 805, whereby the reporting requirements in ISA 700 (Revised) and other ISAs are not repeated in proposed ISA 800 (Revised) and proposed ISA 805 (Revised). ISA 700 (Revised) contains the overarching reporting requirements applicable for auditor's reports on special purpose financial statements and single financial statements, or elements, accounts or items of a financial statement, with additional requirements and guidance as considered necessary in proposed ISA 800 (Revised) and proposed ISA 805 (Revised).
8. The changes being proposed to ISA 800 and ISA 805 therefore are generally intended to explain how the enhancements resulting from the new and revised Auditor Reporting standards apply to those engagements. Accordingly, changes to extant ISA 800 and extant ISA 805 are limited and are intended to:
 - (a) Provide new application material to help auditors properly apply the new and revised Auditor Reporting standards in the context of an ISA 800 engagement (see paragraphs A15–A18 of proposed ISA 800 (Revised)) and an ISA 805 engagement (see paragraphs A17–A24 of proposed ISA 805 (Revised)).
 - (b) Align the layout and content of the illustrative auditor's reports in ISA 800 and ISA 805, including the ordering of elements, use of headings, and terminology, with the reporting requirements in ISA 700 (Revised) (for example, the Opinion section is now positioned first).
 - (c) Update the circumstances that are assumed for each of the illustrative auditor's reports in the ISAs to indicate whether or not the enhancements resulting from the new and revised Auditor Reporting standards are applicable. When such enhancements or circumstances are applicable to a given illustrative auditor's report, the illustrative auditor's report has been amended accordingly.
 - (d) Incorporate changes considered necessary as a result of the IAASB's finalization and approval of ISA 720 (Revised),¹³ which addresses auditor reporting on other information (OI).
9. The standards on pages 17–59 indicate in mark-up the proposed changes to extant ISA 800 and ISA 805.

¹² See paragraph 11 of proposed ISA 805 (Revised), which states that "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 (Revised), adapted as necessary in the circumstances of the engagement."

¹³ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, was approved by the IAASB at its [December 2014 meeting](#). Subject to the PIOB's confirmation of due process followed, the final standard will be issued in 2015 and will come into effect at the same time as the new and revised Auditor Reporting standards. ISA 720 (Revised) includes a conforming amendment to extant ISA 800. This conforming amendment is included in paragraph A13 of proposed ISA 800 (Revised).

Overview of the Enhancements Addressed by the New and Revised Auditor Reporting Standards and Their Applicability to ISA 800 and ISA 805 Engagements

10. The following table summarizes the enhancements resulting from the new and revised Auditor Reporting standards listed in paragraph 2 above. It also includes the IAASB’s decisions regarding their applicability in the context of an ISA 800 engagement or an ISA 805 engagement. Where applicable, specific reference is made to more detailed discussion within this explanatory memorandum (EM) and the standards themselves.

Enhancements Resulting from New and Revised Auditor Reporting ISAs	Applicability to an ISA 800 Engagement	Applicability to an ISA 805 Engagement
<p>New section in the auditor’s report to address KAM for audits of complete sets of general purpose financial statements of listed entities</p>	<ul style="list-style-type: none"> ISA 701 applies only when law or regulation requires the communication of KAM in an ISA 800 engagement, or when the auditor decides to communicate KAM on a voluntary basis (see paragraphs 31 of ISA 700 (Revised) and A17 of proposed ISA 800 (Revised)). 	<ul style="list-style-type: none"> ISA 701 applies only when law or regulation requires the communication of KAM in an ISA 805 engagement, or when the auditor decides to communicate KAM on a voluntary basis (see paragraph A19 of proposed ISA 805 (Revised)). Reference by means of an Other Matter (OM) paragraph may be made in the auditor’s report issued in conjunction with an ISA 805 engagement (ISA 805 auditor’s report) to the communication of KAM in the auditor’s report on the complete set of general purpose financial statements (see paragraphs 25–32 below and paragraph A23 of ISA 805 (Revised)).
<p>Going Concern (GC):</p> <ul style="list-style-type: none"> A separate section with the heading “Material Uncertainty Related to Going Concern” is required in the auditor’s report when a material uncertainty (MU) 	<ul style="list-style-type: none"> ISA 570 (Revised) and the requirements in paragraphs 29, 33(b), and 38(b)(iv) of ISA 700 (Revised) apply when the GC basis of accounting is relevant 	<ul style="list-style-type: none"> ISA 570 (Revised) and the requirements in paragraphs 29, 33(b), and 38(b)(iv) of ISA 700 (Revised) apply when the GC basis of accounting is relevant

Enhancements Resulting from New and Revised Auditor Reporting ISAs	Applicability to an ISA 800 Engagement	Applicability to an ISA 805 Engagement
<p>exists about the entity’s ability to continue as a GC.</p> <ul style="list-style-type: none"> • Consistent with extant ISA 570, the auditor’s opinion is modified when required under the circumstances of the engagement. • New requirements to describe the respective responsibilities of management and the auditor for GC in all auditor’s reports • If events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a GC but the auditor concludes that no MU exists, new requirement to evaluate the adequacy of disclosure about these events or conditions in view of the requirements of the applicable financial reporting framework 	<p>(see also paragraph A16 of proposed ISA 800 (Revised)).</p>	<p>(see also paragraph A18 of proposed ISA 805 (Revised)).</p> <ul style="list-style-type: none"> • If the auditor’s report on the complete set of financial statements includes a “Material Uncertainty Related to Going Concern” section, this section is required to be repeated in the ISA 805 auditor’s report (see paragraphs 15 and A24 of proposed ISA 805 (Revised)).
<p>Explicit statement required in all auditor’s reports that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit and has fulfilled the auditor’s other ethical responsibilities in accordance with these requirements, with identification of the jurisdiction of origin of those requirements or reference to the International Ethics Standards Board for Accountants’ <i>Code of Ethics for Professional Accountants</i> (IESBA Code)</p>	<p>Required – addressed by paragraph 28(c) of ISA 700 (Revised).</p>	<p>Required – addressed by paragraph 28(c) of ISA 700 (Revised).</p>
<p>Disclosure of the name of the engagement partner in the auditor’s report for audits of financial statements of listed entities with a “harm’s way” exemption</p>	<p>Required for audits of listed entities (see paragraph A18 of proposed ISA 800 (Revised) and proposed conforming amendments to ISA 700 (Revised) on page 59 of this ED).</p>	<p>Required for audits of listed entities (see paragraph A21 of proposed ISA 805 (Revised) and conforming amendments to ISA 700 (Revised) on page 59 of this ED).</p>

Enhancements Resulting from New and Revised Auditor Reporting ISAs	Applicability to an ISA 800 Engagement	Applicability to an ISA 805 Engagement
Opinion section required to be presented first, followed by the Basis for Opinion section, unless law or regulation prescribe otherwise	Required – addressed by paragraphs 23 and 28 of ISA 700 (Revised).	Required – addressed by paragraphs 23 and 28 of ISA 700 (Revised).
Improved description of the responsibilities of the auditor and key features of an audit (together with the provision for certain components of this description to be presented in either an appendix to the auditor’s report or, where law, regulation or national auditing standards expressly permit, for reference to be made to a website of an appropriate authority that contains a description that addresses, and is not inconsistent with, the description required by ISA 700 (Revised))	Required – addressed by paragraphs 38–40 of ISA 700 (Revised).	Required – addressed by paragraphs 38–40 of ISA 700 (Revised).

Matters Relevant to the Revision of ISA 800

KAM

11. ISA 700 (Revised) requires the auditor to communicate KAM only for audits of complete sets of general purpose financial statements of listed entities. The IAASB considered whether to require the auditor of special purpose financial statements of a listed entity to communicate KAM in the auditor’s report (i.e., whether KAM should be required in ISA 800 or ISA 805 engagements).
12. As illustrated by paragraphs A1–A2, proposed ISA 800 (Revised) applies to a diverse range of special purpose frameworks, including those that may be established by law or regulation. Notwithstanding that there may be listed entities for which special purpose financial statements are prepared, the call for KAM came primarily from users of general purpose financial statements of listed entities. Accordingly, the IAASB was of the view that it would be preferable, at least initially, not to require KAM to be communicated for those entities and allow for practice to emerge in this area.
13. The IAASB acknowledged that law or regulation could require the auditor to communicate in the auditor’s report about KAM in certain cases, or the auditor could voluntarily communicate KAM, in particular at the request of management in light of the needs of the specific users for which the financial statements are prepared. In such cases, the auditor would be required to apply ISA 701 in its entirety.
14. Finally, the IAASB noted that the planned post-implementation review of the new and revised Auditor Reporting standards may provide further insights as to the applicability and communication of KAM when reporting in accordance with proposed ISA 800 (Revised) and proposed ISA 805 (Revised).

Other Clarifications

15. In addition to the changes referred to in the table in paragraph 10, the IAASB determined that two clarifications were necessary to the requirements in proposed ISA 800 (Revised) to align with the approaches taken in:
 - (a) ISA 700 (Revised), which includes requirements that specify the ordering of the “Opinion” and the “Basis for Opinion” sections of the auditor’s report (see paragraph 13 of proposed ISA 800 (Revised)); and
 - (b) ISA 706 (Revised), which now explicitly requires the term “Emphasis of Matter” (EOM) to be included in the heading in the auditor’s reports when an EOM paragraph has been included (see paragraph 14 of proposed ISA 800 (Revised)).

Matters Relevant to the Revision of ISA 805

Additional Information Contained in the Auditor’s Report on the Entity’s Complete Set of Financial Statements

16. Extant ISA 805 includes specific requirements¹⁴ for auditors to consider the potential implications for the ISA 805 auditor’s report when the auditor is also engaged to audit the entity’s complete set of financial statements.
17. Paragraph 14 of extant ISA 805 notes two types of relevant information that are included in the auditor’s report on the complete set of financial statements that need to be considered by the auditor for reference or inclusion in an ISA 805 auditor’s report: (i) modified opinions, and (ii) additional information contained in the auditor’s report on the entity’s complete set of financial statements (“additional information”). In extant ISA 805, this additional information is limited to EOM and OM paragraphs.
18. As highlighted in the table in paragraph 10, the new and revised Auditor Reporting standards, including the conforming amendments resulting from ISA 720 (Revised), include new elements to be included in an auditor’s report on a complete set of financial statements. The IAASB believes it is necessary for proposed ISA 805 (Revised) to explicitly address how this additional information (i.e., a MU related to GC, an uncorrected material misstatement of OI, and KAM) may affect the ISA 805 auditor’s report.

MU Relating to GC and Uncorrected Material Misstatement of OI

19. The concepts of a MU relating to GC and an uncorrected material misstatement of OI¹⁵ were previously addressed by way of required EOM and OM paragraphs in extant ISA 570 and extant ISA 720, respectively. The IAASB determined it was necessary to include a new requirement addressing how this additional information is taken into account in the ISA 805 auditor’s report (see paragraph 15 of proposed ISA 805 (Revised)).
20. The IAASB was of the view that, when the auditor’s report on the complete set of financial statements describes a MU related to GC, this information would always be relevant to users’ understanding of the ISA 805 engagement. Therefore, paragraph 15(b) of proposed ISA 805 (Revised) requires the

¹⁴ See paragraphs 12–17 of extant ISA 805.

¹⁵ The terms “material inconsistencies” and “material misstatement of fact” in extant ISA 720 have been subsumed into the concept of uncorrected material misstatement of OI in ISA 720 (Revised).

auditor to repeat this information in the ISA 805 auditor's report. This represents a change from extant ISA 805, in which the auditor had flexibility to not include the EOM paragraph related to GC as required by extant ISA 570 in the ISA 805 auditor's report.

21. The IAASB agreed to retain the flexibility under extant ISA 805 for the auditor to determine the effect of an uncorrected material misstatement of OI as described in the auditor's report on the complete set of financial statements and include the statement only when deemed appropriate.

EOM and OM Paragraphs and Modified Opinions

22. The IAASB also agreed to retain the requirement in extant ISA 805 to determine the effect on the ISA 805 auditor's report of a modified opinion, an EOM paragraph or an OM paragraph included in the auditor's report on the complete set of financial statements. However, because of the need to expand the requirements in extant ISA 805 relating to the auditor's consideration of EOM and OM paragraphs to the new sections of the auditor's report addressing a MU related to GC and an uncorrected material misstatement of OI, the IAASB was of the view that ISA 805 would be clearer if the concept of modified opinions were addressed separately. Accordingly, paragraph 14 of extant ISA 805 has been separated into two requirements (see paragraphs 14 and 16 of proposed ISA 805 (Revised)).

KAM

23. As noted above, the IAASB did not consider it necessary to require the auditor to communicate KAM in an ISA 805 engagement. However, the IAASB was of the view that it was important for proposed ISA 805 (Revised) to address two separate circumstances relevant to KAM:
 - (i) When law or regulation requires the auditor to communicate KAM for the ISA 805 engagement, or the auditor decides to do so voluntarily.
 - (ii) The auditor's report on the complete set of financial statements includes communication of KAM.

Applying ISA 701 in an ISA 805 Engagement

24. Paragraph A19 of proposed ISA 805 (Revised) explains that the auditor would be required to apply ISA 701 in its entirety when law or regulation requires the auditor to communicate KAM, or the auditor decides to do so voluntarily, in the context of the ISA 805 engagement. Notwithstanding this guidance, the IAASB acknowledged that there may be practical challenges for auditors determining and communicating KAM in such engagements. For example, those charged with governance (TCWG) may not have responsibility for overseeing the preparation of the single financial statement or specific element. Therefore, the auditor may not have communicated with TCWG any matters with respect to the audit of the single financial statement or element, making the approach to selecting KAM from the matters communicated with TCWG not feasible.

Referring to KAM that Is Communicated in the Auditor's Report on the Complete Set of Financial Statements

25. The IAASB was of the view that proposed ISA 805 (Revised) should address circumstances in which the auditor has communicated KAM in the auditor's report on the complete set of financial statements, acknowledging that users of the ISA 805 auditor's report may benefit from an understanding of such matters.

26. The IAASB sought to find a solution in the public interest that would provide transparency to users of the ISA 805 auditor's report about the fact that KAM had been communicated in the auditor's report on the complete set of financial statements, without inferring that the auditor had applied ISA 701 in its entirety to the ISA 805 engagement if that were not the case.
27. Specifically, the IAASB deliberated:
 - (a) Whether reference should be made in the ISA 805 auditor's report to the fact that KAM had been communicated in the auditor's report on the complete set of financial statements, or to only the subset of those KAM that the auditor also deems relevant to users of the ISA 805 auditor's report.
 - (b) How much information might be included in the ISA 805 auditor's report about the KAM communicated in the auditor's report on the complete set of financial statements, with a concern that repeating the full narrative of such KAM in the ISA 805 auditor's report might imply that the auditor had applied ISA 701 in its entirety in the context of the ISA 805 engagement.
28. The IAASB agreed that there was a public interest benefit to having guidance for auditors who may consider it relevant to users' understanding of the ISA 805 auditor's report to refer to the existence of KAM in the auditor's report on the complete set of financial statements, and considered an OM paragraph in accordance with ISA 706 (Revised) to be the appropriate vehicle to do so. Paragraph A23 of proposed ISA 805 (Revised) includes the IAASB's proposed guidance, which also includes considerations regarding a reference to information in the auditor's report on the complete set of financial statements when there are restrictions on the availability of those financial statements or the auditor's report thereon.
29. The IAASB was of the view that the auditor's determination of those KAM that are relevant to the ISA 805 engagement would best be made when the auditor applied ISA 701 in its entirety in the context of the ISA 805 engagement. As such, the IAASB expressed a preference for the auditor to include only a succinct reference in the ISA 805 auditor's report to the existence of KAM in the auditor's report on the complete set of financial statements, as noted in Illustration 3 in Appendix 2 of proposed ISA 805 (Revised), rather than making reference to specific KAM that the auditor determines are relevant to the ISA 805 engagement, if ISA 701 had not been applied in its entirety.
30. Generally, the IAASB was of the view that explicitly making a reference to KAM by way of an OM paragraph in the ISA 805 auditor's report would alleviate the possibility that auditors would simply repeat the description of the KAM that is included in the auditor's report on the complete set of financial statements, as OM paragraphs are not intended to refer to matters presented or disclosed in the financial statements. The IAASB also noted that auditors would also continue to have the ability to draw attention to matters presented or disclosed in the financial statements that, in the auditor's judgment, are fundamental to users' understanding of the single financial statement or the element by including an EOM paragraph in accordance with ISA 706 (Revised).
31. The IAASB acknowledged, however, that it would be possible, based on how its proposed guidance in paragraph A23 of proposed ISA 805 (Revised) is drafted, for auditors to make a more specific (i.e., targeted) reference to KAM in the auditor's report on the complete set of financial statements. The IAASB noted the following alternative to what is illustrated in its proposed ISA 805 (Revised), whereby an auditor could choose to refer only to relevant KAM that are communicated in the auditor's report

on the complete set of financial statements by including the subheading to the KAM description required by ISA 701:

Other Matter

The Key Audit Matters section of our auditor's report on the complete set of audited financial statements of the Company for the year ended December 31, 20X1 included the description(s) of [*include the sub-heading¹⁶ of each of the key audit matters determined to be relevant*]. We believe this matter also is relevant to users of this report.

32. In light of this possibility of different application of the proposed guidance in paragraph A23 in proposed ISA 805 (Revised), the IAASB considered whether it should establish a conditional requirement addressing how auditors should refer to a KAM that is communicated in a complete set of financial statements. However, the IAASB was of the view that it was preferable to provide flexibility to auditors to determine what may be most useful to users of the ISA 805 auditor's report, and concluded it was sufficient for the application material to indicate that any such reference would be through an OM paragraph.

Consideration of ISA 810, *Engagements to Report on Summary Financial Statements*

Overview

33. In contrast to ISA 800 and ISA 805, which are linked directly to ISA 700, extant ISA 810 is a stand-alone standard. It includes requirements that address the elements to be included in an auditor's report on summary financial statements. Though those reporting elements are similar to the elements that are required in an auditor's report on a complete set of general purpose financial statements (i.e., paragraphs 21–51 of ISA 700 (Revised)), those elements are characterized in the context of an engagement to report on summary financial statements.

IAASB Considerations

34. The IAASB initially considered developing consequential amendments to ISA 810 to take into account the enhancements resulting from the new and revised Auditor Reporting standards. However, the IAASB noted that the nature of an ISA 810 engagement was substantively different from an audit of financial statements, and was of the view that proposing amendments to ISA 810 without first understanding the nature and use of ISA 810 on a global basis would likely be ineffective.
35. At its December 2014 meeting, the IAASB considered preliminary feedback obtained from an informal survey of national auditing standard setters and accounting firms about the use of extant ISA 810 and how the standard was adapted at the national level. While recognizing the potential public interest benefit of expanding the requirements in ISA 810 to require, at a minimum, reference to the auditor's report on the complete set of financial statements, the IAASB also noted that the objective of an ISA 810 engagement is for the auditor to report on the derivation of the summary financial statements from the audited financial statements, and not to express an opinion on the fairness of those summary financial statements. As such, the IAASB was concerned that requiring the auditor to include additional information (e.g., KAM, GC and OI) in the auditor's report on summary financial statements may give the impression that the engagement is something other than what is intended, would potentially lengthen the auditor's report, and could be misleading if the

¹⁶ See paragraph 11 of ISA 701.

underlying issues were not disclosed in a similar manner in the summary financial statements.

36. The preliminary feedback obtained indicates that ISA 810 is used as a starting point for jurisdictions in which auditors are engaged to report on summary financial statements. Those jurisdictions have further tailored ISA 810, and in some cases supplement it with national guidance to reflect the facts and circumstances that are relevant within the context of their national environments.
37. As such, and considering the IAASB's other priorities for the near term as set out in its Work Plan for 2015–2016, the IAASB decided not to propose changes to extant ISA 810 in this ED. Instead, the IAASB has asked that Staff undertake a detailed technical review of extant 810 for the purpose of identifying conflicts, if any, which would make it inoperable in relation to the new and revised Auditor Reporting standards and report back in March 2015. The IAASB also agreed to further explore at a future date, possibly as part of developing its Work Plan for 2017–2018, whether a more holistic approach to revising extant ISA 810 may be necessary.

Request for Comments

While the IAASB welcomes comments on all matters addressed in this ED, the IAASB is specifically seeking comments on the following matters:

1. Whether respondents agree with how the enhancements resulting from the new and revised Auditor Reporting standards have been addressed in proposed ISA 800 (Revised) and proposed ISA 805 (Revised) as explained in paragraphs 10–32 of this EM. If not, respondents are requested to provide their rationale as to why they do not support the proposals and, where applicable, suggest alternative approaches.
2. Whether the proposed standards include sufficient guidance to enable auditors to appropriately apply the new and revised Auditor Reporting standards in the context of ISA 800 and ISA 805 engagements.
3. In relation to KAM:
 - (a) Do respondents agree with the IAASB's decision that the communication of KAM be voluntary for all entities under both proposed ISA 800 (Revised) and proposed ISA 805 (Revised), unless required by law or regulation?
 - (b) Specific to proposed ISA 805 (Revised), whether respondents support the IAASB's proposed direction that reference to KAM that is communicated in the auditor's report on the complete set of financial statements be permitted in the ISA 805 auditor's report using an OM paragraph and how this has been illustrated in the ISA (see paragraphs 25–32 above). In particular, the IAASB would also welcome respondents' views about:
 - (i) The usefulness of the guidance in paragraph A23 in proposed ISA 805 (Revised) and the appropriateness of Illustration 3 in Appendix 2 to assist auditors in determining how to make a reference in the ISA 805 auditor's report to KAM that are communicated in the auditor's report on the complete set of financial statements; and
 - (ii) In light of views on (i) and the Board's deliberations summarized in paragraphs 25–32 above, whether it is necessary to establish requirements in proposed ISA 805 (Revised) relating to a reference to KAM in the ISA 805 auditor's report either to promote consistent treatment in practice or expressly prohibit certain approaches (e.g., a reference only to

relevant KAM in the auditor’s report on the complete set of financial statements or the possibility of repeating the full description of a KAM).

4. The IAASB would also welcome feedback on whether conforming amendments to extant ISA 810 are needed at this time and, if so, what approach could be taken to incorporate the enhancements resulting from the new and revised Auditor Reporting standards.

In addition to the requests for specific comments above, the IAASB is also seeking comments on the general matters set out below:

- (a) *Preparers (including Small- and Medium-Sized Entities (SMEs)), and Users (including Regulators)*—The IAASB invites comments on the proposed revised ISAs from preparers (particularly with respect to the practical impacts of the proposed revised ISAs), and users (particularly with respect to the reporting aspects of the proposed ISAs and whether the communicative value of the auditor’s reports in accordance with proposed ISA 800 (Revised) and proposed ISA 805 (Revised) would be enhanced).
- (b) *Developing Nations*—Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment on the proposed revised ISAs, in particular, on any foreseeable difficulties in applying it in a developing nation environment.
- (c) *Translations*—Recognizing that many respondents may intend to translate the final ISAs for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed revised ISAs.
- (d) *Effective Date*— In line with the effective date of the new and revised Auditor Reporting standards, the effective date of:
 - Proposed ISA 800 (Revised) is for audits of special purpose financial statements for periods ending on or after December 15, 2016; and
 - Proposed ISA 805 (Revised) is for audits of single financial statements or specific elements, accounts or items for periods ending on or after December 15, 2016. In the case of audits of single financial statements or specific elements, accounts or items of a financial statement prepared as at a specific date, proposed ISA 805 (Revised) is effective for audits of such information prepared as at a date on or after December 15, 2016.

Early adoption of the proposed standards would be permitted.

PROPOSED INTERNATIONAL STANDARD ON AUDITING 800
(REVISED)

**SPECIAL CONSIDERATIONS—AUDITS OF FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE
FRAMEWORKS**

(Effective for audits of financial statements for periods
~~beginning~~ending on or after December 31, ~~2009~~2016)

[MARKED FROM EXTANT]

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Proposed International Standard on Auditing (ISA) 800 (Revised), Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks, should be read in conjunction with ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.

Introduction

Scope of this ISA

1. The International Standards on Auditing (ISAs) in the 100–700 series apply to an audit of financial statements. This ISA deals with special considerations in the application of those ISAs to an audit of financial statements prepared in accordance with a special purpose framework.
2. This ISA is written in the context of a complete set of financial statements prepared in accordance with a special purpose framework. Proposed ISA 805 (Revised)¹ deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement.
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

4. This ISA is effective for audits of financial statements for periods ~~beginning~~ ending on or after December 15, ~~2009~~2016.

Objective

5. 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.

Definitions

6. For purposes of the ISAs, the following terms have the meanings attributed below:
 - (a) Special purpose financial statements – Financial statements prepared in accordance with a special purpose framework. (Ref: Para. A4)
 - (b) Special purpose framework – A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.² (Ref: Para. A1–A4)
7. Reference to “financial statements” in this ISA means “a complete set of special purpose financial statements, including the related notes.” The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. 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.

¹ Proposed ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

² ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 13(a)

Requirements

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework

8. ISA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial statements.³ In an audit of special purpose financial statements, the auditor shall obtain an understanding of: (Ref: Para. A5–A8)
 - (a) The purpose for which the financial statements are prepared;
 - (b) The intended users; and
 - (c) The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances.

Considerations When Planning and Performing the Audit

9. ISA 200 requires the auditor to comply with all ISAs relevant to the audit.⁴ In planning and performing an audit of special purpose financial statements, the auditor shall determine whether application of the ISAs requires special consideration in the circumstances of the engagement. (Ref: Para. A9–A13)
10. ISA 315 (Revised) requires the auditor to obtain an understanding of the entity's selection and application of accounting policies.⁵ In the case of financial statements prepared in accordance with the provisions of a contract, the auditor shall obtain an understanding of any significant interpretations of the contract that management made in the preparation of those financial statements. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the financial statements.

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on special purpose financial statements, the auditor shall apply the requirements in ISA 700 (Revised).⁶ (Ref: Para. A14–A18)

Description of the Applicable Financial Reporting Framework

12. ISA 700 (Revised) requires the auditor to evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework.⁷ In the case of financial statements prepared in accordance with the provisions of a contract, the auditor shall evaluate whether the financial statements adequately describe any significant interpretations of the contract on which the financial statements are based.

³ ISA 210, *Agreeing the Terms of Audit Engagements*, paragraph 6(a)

⁴ ISA 200, paragraph 18

⁵ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph 11(c)

⁶ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

⁷ ISA 700 (Revised), paragraph 15

13. ISA 700 (Revised) deals with the form and content of the auditor's report, including the specific ordering for certain elements. In the case of an auditor's report on special purpose financial statements:
- (a) The auditor's report shall also describe the purpose for which the financial statements are prepared and, if necessary, the intended users, or refer to a note in the special purpose financial statements that contains that information; and
 - (b) If management has a choice of financial reporting frameworks in the preparation of such financial statements, the explanation of management's⁸ responsibility for the financial statements shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

Alerting Readers that the Financial Statements Are Prepared in Accordance with a Special Purpose Framework

14. The auditor's report on special purpose financial statements shall include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose. ~~The auditor shall include this paragraph under an appropriate heading—(Ref: Para. A1419–A1520)~~

Application and Other Explanatory Material

Definition of Special Purpose Framework (Ref: Para. 6)

- A1. Examples of special purpose frameworks are:
- A tax basis of accounting for a set of financial statements that accompany an entity's tax return;
 - The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors;
 - The financial reporting provisions established by a regulator to meet the requirements of that regulator; or
 - The financial reporting provisions of a contract, such as a bond indenture, a loan agreement, or a project grant.
- A2. There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorized or recognized standards setting organization or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires financial statements to be prepared in accordance with most, but not all, of the Financial Reporting Standards of Jurisdiction X. When this is acceptable in the circumstances of the 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

⁸ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

regulation. In the above example of the contract, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract, rather than make any reference to the Financial Reporting Standards of Jurisdiction X.

- A3. In the circumstances described in paragraph A2, the special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorized or recognized standards setting organization or by law or regulation that are necessary to achieve fair presentation of the financial statements.
- A4. Financial statements prepared in accordance with a special purpose framework may be the only financial statements an entity prepares. In such circumstances, those financial statements may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial statements in those circumstances, the financial statements are still considered to be special purpose financial statements for purposes of the ISAs. The requirements in paragraphs 13–14 are designed to avoid misunderstandings about the purpose for which the financial statements are prepared.

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A5. In the case of special purpose financial statements, the financial information needs of the intended users are a key factor in determining the acceptability of the financial reporting framework applied in the preparation of the financial statements.
- A6. The applicable financial reporting framework may encompass the financial reporting standards established by an organization that is authorized or recognized to promulgate standards for special purpose financial statements. In that case, those standards will be presumed acceptable for that purpose if the organization follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in the preparation of special purpose financial statements for a certain type of entity. For example, a regulator may establish financial reporting provisions to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed acceptable for special purpose financial statements prepared by such entity.
- A7. Where the financial reporting standards referred to in paragraph A6 are supplemented by legislative or regulatory requirements, ISA 210 requires the auditor to determine whether any conflicts between the financial reporting standards and the additional requirements exist, and prescribes actions to be taken by the auditor if such conflicts exist.⁹
- A8. The applicable financial reporting framework may encompass the financial reporting provisions of a contract, or sources other than those described in paragraphs A6 and A7. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 of ISA 210. In the case of a

⁹ ISA 210, paragraph 18

special purpose framework, the relative importance to a particular engagement of each of the attributes normally exhibited by acceptable financial reporting frameworks is a matter of professional judgment. For example, for purposes of establishing the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable are appropriate for their needs, even though such financial information is not neutral when compared with financial information prepared in accordance with a general purpose framework.

Considerations When Planning and Performing the Audit (Ref: Para. 9)

- A9. ISA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements, and (b) all ISAs relevant to the audit. It also requires the auditor to comply with each requirement of an ISA unless, in the 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. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA by performing alternative audit procedures to achieve the aim of that requirement.¹⁰
- A10. Application of some of the requirements of the ISAs in an audit of special purpose financial statements may require special consideration by the auditor. For example, in ISA 320, judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group.¹¹ In the case of an audit of special purpose financial statements, however, those judgments are based on a consideration of the financial information needs of the intended users.
- A11. In the case of special purpose financial statements, such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. The existence of such a threshold does not relieve the auditor from the requirement to determine materiality in accordance with ISA 320 for purposes of planning and performing the audit of the special purpose financial statements.
- A12. Communication with those charged with governance in accordance with ISAs is based on the relationship between those charged with governance and the financial statements subject to audit, in particular, whether those charged with governance are responsible for overseeing the preparation of those financial statements. In the case of special purpose financial statements, those charged with governance may not have such a responsibility; for example, when the financial information is prepared solely for management's use. In such cases, the requirements of ISA 260 (Revised)¹² may not be relevant to the audit of the special purpose financial statements, except when the auditor is also responsible for the audit of the entity's general purpose financial statements or, for example, has agreed with those charged with governance of the entity to communicate to them relevant matters identified during the audit of the special purpose financial statements.

¹⁰ ISA 200, paragraphs 14, 18, and 22–23

¹¹ ISA 320, *Materiality in Planning and Performing an Audit*, paragraph 2

¹² ISA 260 (Revised), *Communication with Those Charged with Governance*

A13. ISA 720 (Revised) contains requirements and application and other explanatory material regarding the auditor's responsibilities relating to other information.¹³ For purposes of this ISA, other information may include reports prepared to meet the information needs of specific users.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

A13~~14~~. The Appendix to this ISA contains illustrations of auditor's reports on special purpose financial statements.

Application of ISA 700 (Revised) When Reporting on Special Purpose Financial Statements

A15. Paragraph 11 of this ISA explains that the auditor is required to apply ISA 700 (Revised) when forming an opinion and reporting on special purpose financial statements. In doing so, the auditor is also required to apply the reporting requirements in other ISAs, taking into account the special considerations addressed in paragraphs A16–A18 below.

Going Concern

A16. ISA 570 (Revised) explains that there may be some special purpose financial statements prepared in accordance with a special purpose framework for which the going concern basis of accounting is not relevant (for example, the going concern basis of accounting may not be relevant for some financial statements prepared on a tax basis of accounting in particular jurisdictions).¹⁴ When the going concern basis of accounting is not relevant, ISA 570 (Revised) is not applicable and the requirements in paragraphs 33(b) and 38(b)(iv) of ISA 700 (Revised) to describe in the auditor's report the respective responsibilities of management and the auditor relating to going concern do not apply.

Key Audit Matters

A17. ISA 700 (Revised) requires the auditor to communicate key audit matters in accordance with ISA 701¹⁵ for audits of complete sets of general purpose financial statements of listed entities. For audits of special purpose financial statements, ISA 701 does not apply unless communication of key audit matters in the auditor's report on the special purpose financial statements is required by law or regulation or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on special purpose financial statements, ISA 701 applies in its entirety.¹⁶

Name of the Engagement Partner

A18. The auditor is required to include the name of the engagement partner in the auditor's report on special purpose financial statements of listed entities.¹⁷ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on special purpose financial statements of entities other than listed

¹³ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

¹⁴ ISA 570 (Revised), *Going Concern*, paragraph 2

¹⁵ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

¹⁶ ISA 700 (Revised), paragraph 31

¹⁷ See [proposed conforming amendments to] ISA 700 (Revised), paragraphs 45 and A56–A57.

entities.

Alerting Readers that the Financial Statements Are Prepared in Accordance with a Special Purpose Framework (Ref: Para. 14)

A4419. The special purpose financial statements may be used for purposes other than those for which they were intended. For example, a regulator may require certain entities to place the special purpose financial statements on public record. To avoid misunderstandings, the auditor alerts users of the auditor's report by including an Emphasis of Matter paragraph explaining that the financial statements are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose. ISA 706 (Revised) requires this paragraph to be included within a separate section of the auditor's report with an appropriate heading that includes the term "Emphasis of Matter".¹⁸

Restriction on Distribution or Use (Ref: Para. 14)

A4520. In addition to the alert required by paragraph 14, the auditor may consider it appropriate to indicate that the auditor's report is intended solely for the specific users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the auditor's report. In these circumstances, the paragraph referred to in paragraph 14 may be expanded to include these other matters, and the heading modified accordingly.

¹⁸ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraph

Illustrations of Independent Auditor's' Reports on Special Purpose Financial Statements

- Illustration 1: An auditor's report on a complete set of financial statements of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).
- Illustration 2: An auditor's report on a complete set of financial statements of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).
- Illustration 3: An auditor's report on a complete set of financial statements of a listed entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

Illustration 1: An auditor’s report on a complete set of financial statements of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor’s report, the following Ccircumstances include the following are assumed:

- Audit of a complete set of The financial statements that have been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- The going concern basis of accounting is applicable in this framework and, accordingly, ISA 570 (Revised) applies. Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA 570 (Revised).
- Distribution and use of the auditor’s report are restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ISA 720 (Revised) do not apply).
- Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial statements.
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the accompanying financial statements of ABC Company (the Company), which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. ~~The financial statements have been prepared by management of ABC Company based on the financial reporting provisions of Section Z of the contract dated January 1, 20X1 between ABC Company and DEF Company (“the contract”).~~

In our opinion, the accompanying financial statements of ~~ABC~~ the Company for the year ended December 31, 20X1 are prepared, in all material respects, in accordance with the financial reporting provisions of Section Z of the contract. [Opinion section positioned first as required in ISA 700 (Revised)]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ISA 700 (Revised).]

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC—the Company to comply in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ABC—the Company and DEF Company and should not be distributed to or used by parties other than ABC—the Company or DEF Company.

Responsibilities of Management's⁴ Responsibility and Those Charged with Governance for the Financial Statements²

Management is responsible for the preparation of these—the financial statements in accordance with the financial reporting provisions of Section Z of the contract and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility-Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an on opinion on these financial statements based on our audit. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 40(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 40(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference

⁴—Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

² Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

~~We conducted our~~ As part of an audit in accordance with International Standards on Auditing—ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. ~~These standards require that we comply with ethical requirements and the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also involves~~ We also:

- ~~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~~ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ~~In making our risk assessments, the auditor considers~~ Obtain an understanding of internal control relevant to the ~~entity's preparation of the financial statements~~ audit 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 ~~Company's~~ entity's internal control.³
- ~~An audit also includes evaluating~~ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.⁵
- ~~Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.~~
- ~~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 opinion.~~

~~We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.~~

Auditor's sSignature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor's address] [Placement of date and address reversed)]

[Date of the auditor's report]

³ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

Illustration 2: An auditor’s report on a complete set of financial statements of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor’s report, the following circumstances include the following are assumed:

- Audit of a complete set of ~~The~~ financial statements that have been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist the partners in preparing their individual income tax returns. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- The going concern basis of accounting is not applicable in this framework and, accordingly, ISA 570 (Revised) does not apply.
- Distribution of the auditor’s report is restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ISA 720 (Revised) do not apply).
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- The auditor has no other reporting responsibilities required under local law or regulation or regulation.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the ~~accompanying~~ financial statements of ABC Partnership (the Partnership), which comprise the balance sheet as at December 31, 20X1 and the income statement for the year then ended, ~~and notes to the financial statements, including a summary of significant accounting policies, and other explanatory information.~~ The financial statements have been prepared by management using the tax basis of accounting in Jurisdiction X.

In our opinion, the accompanying financial statements of ~~ABC~~ the Partnership for the year ended December 31, 20X1 are prepared, in all material respects, in accordance with [*describe the applicable income tax law*] of Jurisdiction X. [Opinion section positioned first as required in ISA 700 (Revised)]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ISA 700 (Revised).]

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the partners of ABC the Partnership in preparing their individual income tax returns. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ABC the Partnership and its partners and should not be distributed to parties other than ABC the Partnership or its partners.

Responsibilities of Management's⁴ Responsibility and Those Charged with Governance for the Financial Statements⁵

Management is responsible for the preparation of these the financial statements in accordance with the tax basis of accounting in Jurisdiction X and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility-Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an on opinion on these financial statements based on our audit. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 40(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 40(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

We conducted our As part of an audit in accordance with International Standards on Auditing ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. These

⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

⁵ Or other terms that is are appropriate in the context of the legal framework in the particular jurisdiction

~~standards require that we comply with ethical requirements and the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also involves~~We also:

- ~~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~~Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ~~In making our risk assessments, the auditor considers~~Obtain an understanding of internal control relevant to the partnership's preparation of the financial statements audit 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 partnership's internal control.⁶
- ~~An audit also includes evaluating~~Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management,
- ~~as well as evaluating the overall presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.~~

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

~~Auditor's~~ Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction

~~Auditor's~~ address [Placement of date and address reversed)]

~~Date of the auditor's report~~

⁶ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

Illustration 3: An auditor's report on a complete set of financial statements of a listed entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

For purposes of this illustrative auditor's report, the following circumstances include the following are assumed:

- Audit of a complete set of The financial statements of a listed entity that have been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator (that is, a special purpose framework) to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework.
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- The going concern basis of accounting is applicable in this framework and, accordingly, ISA 570 (Revised) applies. Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).
- Distribution or use of the auditor's report is not restricted.
- The auditor is required by the regulator to communicate key audit matters in accordance with ISA 701.
- The Other Matter paragraph refers to the fact that the auditor has also issued an auditor's report on financial statements prepared by ABC Company for the same period in accordance with a general purpose framework.
- The auditor has determined that there is no other information (i.e., the requirements of ISA 720 (Revised) do not apply).
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Appropriate Addressee]

Opinion

We have audited the ~~accompanying~~ financial statements of ABC Company (the Company), which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of Section Y of Regulation Z.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ~~ABC~~ the Company as at December 31, 20X1, and (of) its financial

performance and its cash flows for the year then ended in accordance with the financial reporting provisions of Section Y of Regulation Z. [Opinion section positioned first as required in ISA 700 (Revised)]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in *[jurisdiction]*, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ISA 700 (Revised).]

Emphasis of Matter – Basis of Accounting

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ~~ABC—the~~ Company to meet the requirements of Regulator DEF. As a result, the financial statements may not be suitable for another purpose.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701 as applied to this audit.]

Other Matter

~~ABC—The~~ Company has prepared a separate set of financial statements for the year ended December 31, 20X1 in accordance with International Financial Reporting Standards on which we issued a separate auditor's report to the shareholders of ~~ABC—the~~ Company dated March 31, 20X2.

Responsibilities of Management's⁷ Responsibility and Those Charged with Governance for the Financial Statements⁸

Management is responsible for the preparation and fair presentation of ~~these—the~~ financial statements in accordance with the financial reporting provisions of Section Y of Regulation Z⁹ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

⁷—Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

⁸ Or other terms that ~~is~~ are appropriate in the context of the legal framework in the particular jurisdiction

⁹ Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of a financial statements that give a true and fair view in accordance with the financial reporting provisions of section Y of Regulation Z and for such ..."

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an on opinion on these financial statements based on our audit. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 40(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 40(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

We conducted our As part of an audit in accordance with International Standards on Auditing ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. These standards require that we comply with ethical requirements and the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also involves We also:

- 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 Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- In making our risk assessments, the auditor considers Obtain an understanding of internal control relevant to entity's preparation and fair presentation of the financial statements the audit 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.¹⁰
- An audit also includes evaluating Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

¹⁰ 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 statements, 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 statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances." This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ~~as well as evaluating~~ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is [name].

[Auditor's Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor's address] [Placement of date and address reversed)]

[Date of the auditor's report]

PROPOSED INTERNATIONAL STANDARD ON AUDITING 805
(REVISED)

**SPECIAL CONSIDERATIONS—AUDITS OF SINGLE FINANCIAL
STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF
A FINANCIAL STATEMENT**

(Effective for audits for periods
~~beginning~~ending on or after December 15, ~~2009~~2016)

[MARKED FROM EXTANT]

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

Introduction

Scope of this ISA

1. The International Standards on Auditing (ISAs) in the 100–700 series apply to 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 in the application of those ISAs to an audit of a single financial statement 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. If prepared in accordance with a special purpose framework, proposed ISA 800 (Revised)¹ also applies to the audit. (Ref: Para. A1–A4)
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 600²).
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

4. This ISA is effective for audits of single financial statements or of specific elements, accounts or items for periods ~~beginning ending on~~ or after December 15, ~~2009-2016~~. In the case of audits of single financial statements or of specific elements, accounts or items of a financial statement prepared as at a specific date, this ISA is effective for audits of such information prepared as at a date on or after December ~~4-15, 2010-2016~~.

Objective

5. 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.

Definitions

6. For purposes of this ISA, reference to:
 - (a) “Element of a financial statement” or “element” means an “element, account or item of a financial statement;”

¹ Proposed ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

² ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

- (b) “International Financial Reporting Standards” means the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board; and
- (c) A single financial statement or to a specific element of a financial statement includes the related 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

Considerations When Accepting the Engagement

Application of ISAs

7. ISA 200 requires the auditor to comply with all ISAs relevant to the audit.³ 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. If the auditor is not also engaged to audit the entity’s complete set of financial statements, the auditor shall determine whether the audit of a single financial statement or of a specific element of those financial statements in accordance with ISAs is practicable. (Ref: Para. A5–A6)

Acceptability of the Financial Reporting Framework

8. ISA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial statements.⁴ In the case of an audit of a single financial statement or of a specific element of a financial statement, this shall include whether application of the financial reporting framework will result in a presentation 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 the information conveyed in the financial statement or the element. (Ref: Para. A7)

Form of Opinion

9. ISA 210 requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor.⁵ 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–A9)

Considerations When Planning and Performing the Audit

10. ISA 200 states that 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.^{6,7} In planning and performing the audit of a single financial statement or of a specific

³ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 18

⁴ ISA 210, *Agreeing the Terms of Audit Engagements*, paragraph 6(a)

⁵ ISA 210, paragraph 10(e)

⁶ ISA 200, paragraph 2

⁷ ISA 200, 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.

element of a financial statement, the auditor shall adapt all ISAs relevant to the audit as necessary in the circumstances of the engagement. (Ref: Para. A10–A14)

Forming an Opinion and Reporting Considerations

11. 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 (Revised),⁸ adapted as necessary in the circumstances of the engagement. (Ref: Para. A15–A21)

Reporting on the Entity’s Complete Set of Financial Statements and on a Single Financial Statement or on a Specific Element of Those Financial Statements

12. If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity’s complete set of financial statements, the auditor shall express a separate opinion for each engagement.
13. An audited single financial statement or an audited specific element of a financial statement may be published together with the entity’s audited complete set of financial statements. If the auditor concludes that the presentation of the single financial statement or of the specific element of a financial statement does not differentiate it sufficiently from the complete set of financial statements, the auditor shall ask management to rectify the situation. Subject to paragraphs ~~45~~ 17 and ~~46~~ 18, the auditor shall also differentiate the opinion on the single financial statement or on the specific element of a financial statement from the opinion on the complete set of financial statements. The auditor shall not issue the auditor’s report containing the opinion on the single financial statement or on the specific element of a financial statement until satisfied with the differentiation.

Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph—Additional Information Contained in the Auditor’s Report on the Entity’s Complete Set of Financial Statements (Ref: Para. A22–A24)

14. ~~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 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 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 paragraph in the auditor’s report on the single financial statement or on the specific element of a financial statement, accordingly. (Ref: Para. 47)~~
15. When a “Material Uncertainty Related to Going Concern” section that highlights the existence of a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern, or a statement that describes an uncorrected material

⁸ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

misstatement of the other information, is included in the auditor’s report on the entity’s complete set of financial statements, the auditor shall:

- (a) 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; and
- (b) Include the “Material Uncertainty Related to Going Concern” section or, when deemed appropriate, the statement that describes an uncorrected material misstatement of the other information in the auditor’s report on the single financial statement or on the specific element of a financial statement, accordingly.

Modified Opinion in the Auditor’s Report on the Entity’s Complete Set of Financial Statements

~~4416.~~ 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 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 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 paragraph~~ in the auditor’s report, ~~accordingly.~~ (Ref: Para. A1725) [Requirement in paragraph 14 of extant ISA 805 related to modified opinions moved to a separate paragraph]

~~4517.~~ If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity’s complete set of financial statements as a whole, ISA 705 (Revised) does not permit the auditor to include in the same auditor’s report an unmodified opinion on a single financial statement that forms part of those financial statements or on a specific element that forms part of those financial statements.⁹ This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity’s complete set of financial statements as a whole. (Ref: Para. A1826)

~~4618.~~ If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity’s complete set of financial statements as a whole but, in the context of a separate audit of a specific element that is included in those financial statements, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:

- (a) The auditor is not prohibited by law or regulation from doing so;
- (b) That opinion is expressed in an auditor’s report that is not published together with the auditor’s report containing the adverse opinion or disclaimer of opinion; and
- (c) The specific element does not constitute a major portion of the entity’s complete set of financial statements.

~~4719.~~ The auditor shall not express an unmodified opinion on a single financial statement of a complete set of financial statements if the auditor has expressed an adverse opinion or disclaimed an opinion on the complete set of financial statements as a whole. This is the case even if the auditor’s report on the single financial statement is not published together with the auditor’s report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of those financial statements.

⁹ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*, paragraph 15

Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 1)

- A1. ISA 200 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 defines the term “financial statements” as a structured representation of historical financial information, including related 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.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 (Revised).¹³

Considerations When Accepting the Engagement

Application of ISAs (Ref: Para. 7)

- A5. ISA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements, and (b) all ISAs relevant to the audit. It also requires the auditor to comply with each requirement of an ISA unless, in the 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. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA by performing alternative audit procedures to achieve the aim of that requirement.¹⁴
- A6. Compliance with 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

¹⁰ ISA 200, paragraph 13(g)

¹¹ ISA 200, paragraph 13(f)

¹² ISA 200, paragraph 2

¹³ ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

¹⁴ ISA 200, paragraphs 14, 18, and 22–23

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 the case 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 ISA 570 (Revised)¹⁵ 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 in accordance with ISAs 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. 8)

- A7. A single financial statement or a specific element of a financial statement may be prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorized or recognized standards setting organization for the preparation of a complete set of financial statements (for example, ~~International Financial Reporting Standards~~ IFRSs). If this is the case, determination of the acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.

Form of Opinion (Ref: Para. 9)

- A8. The form of opinion to be expressed by the auditor depends on the applicable financial reporting framework and any applicable laws or regulations.¹⁶ In accordance with ISA 700 (Revised):¹⁷
- (a) When expressing an unmodified opinion on a complete set of financial statements prepared 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 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. This may be the case when the applicable financial reporting framework is based on a financial reporting framework established by an authorized or recognized standards

¹⁵ ISA 570 (Revised), *Going Concern*

¹⁶ ISA 200, paragraph 8

¹⁷ ISA 700 (Revised), paragraphs 3525–3626

setting organization for the preparation of a complete set of financial statements (for example, ~~International Financial Reporting Standards (IFRSs)~~). The auditor therefore considers whether the expected form of opinion is appropriate in the light of the applicable financial reporting framework. 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" in the auditor's opinion include:

- Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation 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.

The auditor's decision as to the expected form of opinion is a matter of professional judgment. It may be affected by whether use of the phrases "presents fairly, in all material respects," or "gives a true and fair view" in the auditor's opinion on a single financial statement or on a specific element of a financial statement prepared in accordance with a fair presentation framework is generally accepted in the particular jurisdiction.

Considerations When Planning and Performing the Audit (Ref: Para. 10)

- A10. The relevance of each of the ISAs requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, ISAs such as ISA 240,¹⁸ ISA 550¹⁹ and ISA 570 (Revised) 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.
- A11. Furthermore, 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 the audit of a single financial statement or of a specific element of a financial statement.²⁰ For example, written representations from management about the complete set of financial statements would be replaced by written representations about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework.
- A12. 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.

¹⁸ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

¹⁹ ISA 550, *Related Parties*

²⁰ ISA 200, paragraph 2

- A13. The individual financial statements that comprise a complete set of financial statements, and many of the elements of those financial statements, including their related notes, are interrelated. 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.
- A14. Furthermore, the materiality determined for a single financial statement or for a specific element of a financial statement may be lower than the materiality determined for the entity's complete set of financial statements; this will affect the nature, timing and extent of the audit procedures and the evaluation of uncorrected misstatements.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A15. ISA 700 (Revised) 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.²¹ 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 the information conveyed in the financial statement or the element.
- A16. Appendix 2 of this ISA contains illustrations of ~~auditors'~~ auditor's reports on a single financial statement and on a specific element of a financial statement.

Application of ISA 700 (Revised) When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement

- A17. Paragraph 11 of this ISA explains that the auditor is required to apply the requirements in ISA 700 (Revised), adapted as necessary in the circumstances of the engagement, when forming an opinion and reporting on a single financial statement or on a specific element of a financial statement. In doing so, the auditor is also required to apply the reporting requirements in other ISAs adapted as necessary in the circumstances of the engagement, taking into account the special considerations addressed in paragraphs A18–A26 below.

Going Concern

- A18. A single financial statement or a specific element of a financial statement may be prepared in accordance with a special purpose financial reporting framework for which the going concern basis of accounting is not relevant.²² When the going concern basis of accounting is not relevant, ISA 570 (Revised) is not applicable and the requirements in paragraphs 33(b) and 38(b)(iv) of ISA 700 (Revised) to describe in the auditor's report the respective responsibilities of management and the auditor relating to going concern do not apply.

²¹ ISA 700 (Revised), paragraph 13(e)

²² ISA 570 (Revised), paragraph 2

Key Audit Matters

A19. ISA 700 (Revised) requires the auditor to communicate key audit matters in the auditor's report in accordance with ISA 701²³ for audits of complete sets of general purpose financial statements of listed entities.²⁴ For audits of a single financial statement or a specific element of a financial statement, ISA 701 is not applicable unless communication of key audit matters in the auditor's report on such financial statements or elements is required by law or regulation, or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on a single financial statement or a specific element of a financial statement, ISA 701 applies in its entirety.²⁵ Paragraph A23 below addresses circumstances when key audit matters have been communicated in the auditor's report on complete sets of financial statements.

Other Information

A20. When the auditor determines that the entity plans to issue an annual report, as defined by ISA 720 (Revised),²⁶ containing or accompanying the single financial statement or a specific element of a financial statement, the requirements in ISA 720 (Revised) apply to the audit of the single financial statement or specific element of the financial statement.

Name of the Engagement Partner

A21. The auditor is required to include the name of the engagement partner in the auditor's report on a single financial statement of a listed entity or a specific element of a financial statement of a listed entity.²⁷ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a single financial statement or on a specific element of a financial statement of entities other than listed entities.

~~Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in Additional Information Contained in the Auditor's Report on the Entity's Complete Set of Financial Statements (Ref: Para.14–15)~~

~~A1722. Even when the modified opinion on the entity's complete set of financial statements, Emphasis of Matter paragraph or Other Matter paragraph contained in the auditor's report on the entity's complete set of financial statements does not relate to the audited financial statement or the audited element, the auditor may still deem it appropriate to refer to such paragraphs the modification in an Other Matter paragraph in an auditor's report on the financial statement or on the element because the auditor judges it to be relevant to the users' understanding of the audited financial statement or the audited element or the related auditor's report (see ISA 706 (Revised)).²⁸~~

A23. The auditor may consider whether it is relevant to communicate, in the auditor's report on the single financial statement, or on a specific element of a financial statement, that key audit matters are communicated in the auditor's report on the complete set of financial statements. If the auditor

²³ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

²⁴ ISA 700 (Revised), paragraph 30

²⁵ See ISA 700 (Revised), paragraph 31.

²⁶ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

²⁷ See [proposed conforming amendment to] ISA 700 (Revised), paragraphs 45 and A56–A57.

²⁸ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraphs 6 8 and 10

considers it appropriate to do so, a reference to that communication may be included in an Other Matter paragraph in the auditor's report on the single financial statement, or a specific element of a financial statement, in accordance with ISA 706 (Revised) (see Illustration 3 in Appendix 2 to this ISA). As part of this consideration, it may be important for the auditor to consider whether there are any restrictions on the availability of the complete set of financial statements that would affect the ability of the intended users to access the auditor's report thereon, for example when key audit matters have been applied on a voluntary basis in connection with the audit of an entity other than a listed entity. In addition, it may be important for the auditor to consider whether the application of ISA 701 in the context of the audit of the single financial statement, or a specific element of a financial statement, would result in the communication of additional key audit matters, in which case the guidance in paragraph A19 may be applied, resulting in the communication of all key audit matters relevant to this audit in a separate section of the auditor's report.

A24. When the auditor's report on the entity's complete set of financial statements includes a "Material Uncertainty Related to Going Concern" section, paragraph 15 of this ISA requires that the auditor include this section in the auditor's report on the financial statement or on the specific element of those financial statements because matters related to going concern are deemed to always be relevant to the users' understanding of the financial statement or the specific element or the related auditor's report.

~~Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Entity's Complete Set of Financial Statements (Ref: Para. 4416–4517)~~

~~A4725. Even when the modified opinion on the entity's complete set of financial statements, Emphasis of Matter paragraph or Other Matter paragraph does not relate to the audited financial statement or the audited element, the auditor may still deem it appropriate to refer to the modification in an Other Matter paragraph in an auditor's report on the financial statement or on the element because the auditor judges it to be relevant to the users' understanding of the audited financial statement or the audited element or the related auditor's report (see ISA 706 (Revised)).²⁹~~

~~A4826. In the auditor's report on an entity's complete set of financial statements, the expression of a disclaimer of opinion regarding the results of operations and cash flows, where relevant, and an unmodified opinion regarding the financial position is permitted since the disclaimer of opinion is being issued in respect of the results of operations and cash flows only and not in respect of the financial statements as a whole.³⁰~~

²⁹ ISA 706 (Revised), ~~Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report~~, paragraphs 6 8 and 10

³⁰ ISA 510, *Initial Audit Engagements—Opening Balances*, paragraph A8, and ISA 705 (Revised), paragraph A16

Appendix 1

(Ref: Para. A3)

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 notes.
- A schedule of externally managed assets and income of a private pension plan, including related notes.
- A schedule of net tangible assets, including related notes.
- A schedule of disbursements in relation to a lease property, including explanatory notes.
- A schedule of profit participation or employee bonuses, including explanatory notes.

Appendix 2

(Ref: Para. A16)

Illustrations of Independent Auditor's² Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

- Illustration 1: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 2: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: An auditor's report on a specific element, account or item of a financial statement of a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

Illustration 1: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).

For purposes of this illustrative auditor's report, the following Ccircumstances include the following are assumed:

- Audit of a balance sheet (that is, a single financial statement) of an entity other than a listed entity.
- The balance sheet has been prepared by management of the entity in accordance with the requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing a balance sheet.
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.
- ~~The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.~~
- The auditor has determined that it is appropriate to use the phrase "presents fairly, in all material respects," in the auditor's opinion.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- The going concern basis of accounting is applicable in this framework and, accordingly, ISA 570 (Revised) applies. Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ISA 720 (Revised) do not apply).
- Those responsible for oversight of the financial statement differ from those responsible for the preparation of the financial statement.
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

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

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of ~~ABC the~~ Company as at December 31, 20X1 in accordance with those requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement. [Opinion section positioned first as required in ISA 700 (Revised)]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statement in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ISA 700 (Revised).]

Responsibilities of Management's⁴ Responsibility and Those Charged with Governance for the Financial Statement²

Management is responsible for the preparation and fair presentation of this the financial statement in accordance with those requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility Responsibilities for the Audit of the Financial Statement

~~Our responsibility is to express an opinion on these financial statement based on our audit. Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.~~

~~Paragraph 40(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 40(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.~~

~~We conducted our As part of an audit in accordance with International Standards on Auditing ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain~~

⁴—Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

² Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

~~reasonable assurance about whether the financial statement is free from material misstatement. An audit involves~~ We also:

- ~~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~~ Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ~~In making our risk assessments, the auditor considers~~ Obtain an understanding of internal control relevant to the entity's preparation and fair presentation of the financial statement audit 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 Company's entity's internal control.³
- ~~An audit also includes evaluating~~ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.⁷
- ~~Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.~~
- ~~as well as evaluating~~ Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

~~We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.~~

~~[Auditor's s~~ Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

~~[Auditor's address]~~ [Placement of date and address reversed)]

~~[Date of the auditor's report]~~

³ ~~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."~~ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement.

Illustration 2: An auditor’s report on a single financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework.

For purposes of this illustrative auditor’s report, the following eCircumstances include the following are assumed:

- Audit of a statement of cash receipts and disbursements (that is, a single financial statement) of an entity other than a listed entity.
- The financial statement has been prepared by management of the entity in accordance with the cash receipts and disbursements basis of accounting to respond to a request for cash flow information received from a creditor. Management has a choice of financial reporting frameworks. The going concern basis of accounting is not applicable in this framework and accordingly, ISA 570 (Revised) does not apply.
- The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.⁴
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects,” in the auditor’s opinion.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Distribution or use of the auditor’s report is not restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ISA 720 (Revised) do not apply).
- Those responsible for oversight of the financial statement differ from those responsible for the preparation of the financial statement.
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the ~~accompanying~~ statement of cash receipts and disbursements of ABC Company (the Company) for the year ended December 31, 20X1 and notes to the statement of cash receipts and disbursements, including a summary of significant accounting policies and other explanatory information (together “the financial statement”). ~~The financial statement has been prepared by management using the cash receipts and disbursements basis of accounting described in Note X.~~

In our opinion, the accompanying financial statement presents fairly, in all material respects, the cash receipts and disbursements of ~~ABC~~ the Company for the year ended December 31, 20X1 in accordance

⁴ Proposed ISA 800 (Revised) contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

with the cash receipts and disbursements basis of accounting described in Note X. [Opinion section positioned first as required in ISA 700 (Revised)]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statement in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ISA 700 (Revised).]

Emphasis of Matter – Basis of Accounting

Without modifying our opinion, we draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the statement may not be suitable for another purpose.

Responsibilities of Management's⁵ Responsibility and Those Charged with Governance for the Financial Statement⁶

Management is responsible for preparation and fair presentation of ~~this~~ the financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's ~~Responsibility~~ Responsibilities for the Audit of the Financial Statement

~~Our responsibility is to express an opinion on these financial statement based on our audit. Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.~~

Paragraph 40(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 40(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including

⁵—Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

⁶ Or other terms that is are appropriate in the context of the legal framework in the particular jurisdiction

this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

We conducted our As part of an audit in accordance with International Standards on Auditing ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. These standards require that we comply with ethical requirements and the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also involves We also:

- 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 Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- In making our risk assessments, the auditor considers Obtain an understanding of internal control relevant to the entity's preparation and fair presentation of the financial statement audit 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 Company's entity's internal control.⁷
- An audit also includes evaluating Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management,⁷
- as well as evaluating Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's sSignature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor's address] [Placement of date and address reversed)]

[Date of the auditor's report]

⁷ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement.

Illustration 3: An auditor's report on a specific element, account or item of a financial statement of a listed entity prepared in accordance with a special purpose framework.

For purposes of this illustrative auditor's report, the following circumstances include the following are assumed:

- Audit of the liability for "incurred but not reported" claims in an insurance portfolio an accounts receivable schedule (that is, element, account or item of a financial statement).
- The financial information has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.⁸
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- The going concern basis of accounting is applicable in this framework and accordingly, ISA 570 (Revised) applies. Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).
- Distribution of the auditor's report is restricted.
- There were key audit matters communicated in the auditor's report on the complete set of audited financial statements and the auditor has judged those matters to be relevant to users' understanding of the auditor's report on the schedule.
- The auditor has determined that there is no other information (i.e., the requirements of ISA 720 (Revised) do not apply).
- Those responsible for oversight of the financial statement differ from those responsible for the preparation of the financial statement.
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the accompanying accounts receivable schedule ~~of the liability for "incurred but not reported" claims~~ of ABC Insurance Company (the Company) as at December 31, 20X1 ("the schedule"). ~~The schedule has been prepared by management based on [describe the financial reporting provisions established by the regulator].~~

⁸ Proposed ISA 800 (Revised) contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

In our opinion, the financial information in the schedule of the liability for “incurred but not reported” claims of ~~ABC Insurance~~ the Company as at December 31, 20X1 is prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulator]. [Opinion section positioned first as required ISA 700 (Revised)]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Schedule* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the schedule in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor’s Responsibility section. Also, the Basis for Opinion section is positioned immediately after opinion section as required in ISA 700 (Revised).]

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the schedule, which describes the basis of accounting. The schedule is prepared to assist ~~ABC Insurance~~ the Company to meet the requirements of Regulator DEF. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for ~~ABC Insurance~~ the Company and Regulator DEF and should not be distributed to parties other than ~~ABC Insurance~~ the Company or Regulator DEF.

Other Matter

Our auditor’s report on the complete set of audited financial statements of the Company for the year ended December 31, 20X1 included the communication of key audit matters.

Responsibilities of Management’s⁹ Responsibility and Those Charged with Governance for the Schedule¹⁰

Management is responsible for the preparation of the schedule in accordance with [describe the financial reporting provisions established by the regulator], and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibility Responsibilities for the Audit of the Schedule

Our responsibility is to express an on opinion on this schedule based on our audit. Our objectives are to obtain reasonable assurance about whether the schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

⁹—Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

¹⁰ Or other terms that is are appropriate in the context of the legal framework in the particular jurisdiction

if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this schedule.

Paragraph 40(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 40(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

We conducted our ~~As part of an audit in accordance with International Standards on Auditing ISAs, we~~ exercise professional judgment and maintain professional skepticism throughout the audit. These standards require that we comply with ethical requirements and the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves ~~We also:~~

- ~~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~~ Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ~~In making those risk assessments, the auditor~~ Obtain an understanding of ~~considers~~ internal control relevant to the ~~entity's preparation and fair presentation of the schedule~~ audit 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 ~~Company's~~ entity's ~~internal control.~~¹¹
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the schedule or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ~~An audit also includes evaluating~~ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures 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.~~

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

¹¹ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the schedule:

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is [*name*].

[Auditor's Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[~~Auditor's address~~] [Placement of date and address reversed]

[~~Date of the auditor's report~~]

PROPOSED CONFORMING AMENDMENTS TO ANOTHER ISA

Note: The following are proposed conforming amendments to ISA 700 (Revised) as a result of the proposals to revise ISA 800 and ISA 805. These proposed amendments will become effective at the same time as ISA 800 (Revised) and ISA 805 (Revised), as well as the new and revised Auditor Reporting standards. The footnote numbers within these proposed amendments do not align with the ISA that is amended, and reference should be made to that ISA.

ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements

Requirements

Name of the Engagement Partner

45. The name of the engagement partner shall be included in the auditor's report ~~for audits of complete sets of general purpose~~ on financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. In the rare circumstances that the auditor intends not to include the name of the engagement partner in the auditor's report, the auditor shall discuss this intention with those charged with governance to inform the auditor's assessment of the likelihood and severity of a significant personal security threat. (Ref: Para. A56–A58)

Application and Other Explanatory Material

Name of the Engagement Partner (Ref: Para. 45)

- A56. ISQC 1³¹ requires that the firm establish policies and procedures to provide reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements. Notwithstanding these ISQC 1 requirements, naming the engagement partner in the auditor's report is intended to provide further transparency to the users of the auditor's report ~~of complete sets of general purpose~~ of financial statements of a listed entity.
- A57. Law, regulation or national auditing standards may require that the auditor's report include the name of the engagement partner responsible for audits other than those ~~of complete sets of general purpose~~ financial statements of listed entities. The auditor may also be required by law, regulation or national auditing standards, or may decide to include additional information beyond the engagement partner's name in the auditor's report to further identify the engagement partner, for example, the engagement partner's professional license number that is relevant to the jurisdiction where the auditor practices.

³¹ ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, paragraph 32

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