

MARK-UP

PROPOSED INTERNATIONAL STANDARD ON AUDITING ~~800~~ 701 (REVISED)

THE INDEPENDENT AUDITOR'S REPORT ON OTHER HISTORICAL FINANCIAL INFORMATION

(Effective for reports issued on or after December 31, 2006)

CONTENTS

	Paragraph
Introduction.....	1- 65
<u>Definitions.....</u>	<u>7</u>
Application of Ethical Requirements and Other ISAs.....	86 - 128
Applicable Financial Reporting Framework.....	139 - 241 <u>13</u>
Form of Opinion	22 <u>14</u> - 24 <u>19</u>
Forming an Opinion on the Other Historical Financial Information	25 <u>20</u> - 30 <u>25</u>
Elements of the Auditor's Report	31 <u>26</u> - 36 <u>27</u>
<u>Description of the Applicable Financial Reporting Framework.....</u>	<u>28-29</u>
<u>Restriction on Distribution or Use</u>	<u>30-31</u>
<u>Reporting on Additional Responsibilities</u>	<u>32</u>
Auditor's Report for Audits Conducted in Accordance with Both ISAs and Auditing Standards of Specific Jurisdiction or Country	37 <u>33</u>
Unaudited Supplementary Information Presented with Audited Other Historical Financial Information.....	38 <u>34</u>
<u>Prescribed Forms of Reports.....</u>	<u>39-40</u>
<u>Reporting</u> Considerations Specific to Reporting on a Single Financial Statement, Element, Account or Item	41 <u>35</u> - 45 <u>38</u>
<u>Considerations Specific to Reporting on Other Historical Financial Information</u> <u>Prepared for a Special Purpose</u>	<u>46-52</u>
Effective Date	53 <u>39</u>
Appendix 1: Examples of a Single Financial Statement and Examples of a Specific Element, Account or Item of a Financial Statement	
Appendix 2: Examples of Reports on Other Historical Financial Information	

International Standard on Auditing (ISA)-~~800 (Revised)~~ 701, “The Independent Auditor’s Report on Other Historical Financial Information” should be read in the context of the “Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services,” which sets out the application and authority of ISAs.

Introduction

1. The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance for the independent auditor's report issued as a result of an audit of ~~other~~ historical financial information other than a complete set of general purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation (for purposes of this ISA referred to as "other historical financial information"). ~~For purposes of this ISA, other historical financial information is financial information other than (a) a complete set of general purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation, which is covered by ISA 700 (Revised), "The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements," and (b) summarized audited historical financial information, which is covered by proposed ISA 810, "The Independent Auditor's Report on Summarized Audited Historical Financial Information."~~ This ISA also establishes standards and provides guidance on determining the acceptability of the financial reporting framework, and ~~matters the auditor considers in forming an opinion on the other historical financial information.~~

2. Other historical financial information includes:
 - A complete set of financial statements prepared in accordance with a financial reporting framework designed for a special purpose;
 - A complete set of financial statements prepared in accordance with a financial reporting framework designed for a general purpose, but not designed to achieve fair presentation;
 - A single financial statement, or statements, that would otherwise be part of a complete set of financial statements (see ISA 200, "Objective and General Principles Governing an Audit of Financial Statements," paragraphs 34-35) ~~prepared in accordance with either a financial reporting framework designed for a general purpose or a financial reporting framework designed for a special purpose; and~~
 - One or more specific elements, accounts or items of a financial statement ~~prepared in accordance with either a financial reporting framework designed for a general purpose or a financial reporting framework designed for a special purpose.~~

Paragraphs ~~41-45~~ 35-38 contain considerations specific to reporting on a single financial statement or statements, or one or more specific elements, accounts or items of a financial statement.

3. Examples of a single financial statement and a specific element, account or item of a financial statement are listed in Appendix 1 to this ISA. Examples of financial reporting frameworks that may be designed for a special purpose include:
 - A tax basis of accounting;
 - The cash receipts and disbursements basis of accounting for cash flow information that ~~an~~ profit-oriented entity may prepare (for example, a rental property, or an unincorporated association such as a club);
 - The financial reporting provisions established by a regulator to meet the requirements of that regulator; and

- The financial reporting provisions of a contract, such as bond indentures or loan agreements.
4. ~~Historical financial information prepared in accordance with a financial reporting framework designed for a general purpose may be used for a special purpose, and historical financial information prepared in accordance with a financial reporting framework designed for a special purpose might, in some circumstances, be used for a general purpose. Therefore, for purposes of this ISA, a distinction is drawn between the purpose for which the financial reporting framework was designed, and the purpose for which the financial information has been prepared or the use to which the financial information is put. Paragraphs 46-52 contain considerations specific to reporting on other historical information prepared for a special purpose.~~
54. The standards and guidance in this ISA apply when the auditor is able to express an unmodified opinion on the other historical financial information. Proposed ISA ~~701 (Revised)~~ 705, "Modifications to the Opinion in the Independent Auditor's Report" establishes standards and provides guidance on circumstances that may result in a modified opinion, the type of modification required, and the form and content of the auditor's report when the opinion is modified. Proposed ISA ~~702~~ 706, "Emphasis of Matter Paragraphs and Other Matters Paragraphs in the Auditor's Report" establishes standards and provides guidance on circumstances when the auditor considers including an emphasis of matter paragraph or an other matters paragraph in the auditor's report, and the form and placement of such paragraphs.
65. This ISA does not establish standards or provide guidance for the following:
- (a) A report issued as a result of an audit of a complete set of general purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation. Standards and guidance for this are contained in ISA 700 (Revised), "The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements."
 - (b) A report issued, ~~for purposes of the audit of group financial statements, solely to a group auditor by another auditor~~ as a result of an audit performed on a component's financial information ~~that is to be included in the~~ for purposes of the audit of group financial statements (see proposed ISA 600 (Revised), "The Audit of Group Financial Statements").
 - (c) A report expressing an opinion on summarized historical financial information which has been derived from historical financial information. Standards and guidance for auditors' reports on summarized audited ~~historical financial information~~ financial statements are contained in proposed ISA ~~810~~ 800, "The Independent Auditor's Report on Summarized Audited ~~Historical Financial Information~~ Financial Statements."
 - (d) A report confirming that information is an accurate extraction from audited historical financial information.

- (e) A report issued as a result of a review (i.e., not an audit) of historical financial information. Standards and guidance for this are contained in International Standard on Review Engagements (ISRE) 2400, “Engagements to Review Financial Statements.”
- (f) An assurance report on information other than historical financial information. This includes a report expressing an opinion on compliance with the provisions of a contract that do not deal with the preparation and presentation of historical financial information. Standards and guidance for this are contained in International Standard on Assurance Engagements (ISAE) 3000-~~(Revised)~~, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information.”

Definitions

~~7. In this ISA:~~

- (a) ~~“Engagement circumstances” means (i) the terms of the engagement, (ii) the nature of the other historical financial information, (iii) the applicable financial reporting framework, (iv) the purpose for which the other historical financial information has been prepared, (v) the information needs of the intended users, (vi) relevant characteristics of the responsible party and its environment, and (vii) other matters, for example events, transactions, conditions, and practices that may have a significant effect on the engagement.~~
- (b) ~~“Financial reporting framework” means a set of criteria applied in preparing and presenting other historical financial information. The term includes any legal and regulatory requirements that supplement but do not conflict with the financial reporting framework.~~
- (c) ~~“Financial reporting framework designed for a general purpose” means a financial reporting framework designed to meet the common information needs of a wide range of users.~~
- (d) ~~“Financial reporting framework designed for a special purpose” means a financial reporting framework designed to meet the information needs of specific intended users.~~
- (e) ~~“Intended user” means the person(s), or class of persons for whom the auditor prepares the report on the other historical financial information. The responsible party can be one of the intended users, but not the only one.~~
- (f) ~~“Responsible party” means the person(s) responsible for preparing and presenting the other historical financial information. The responsible party may or may not be the party who engages the auditor.~~

Application of Ethical Requirements and Other ISAs

- ~~8. The auditor should comply with relevant ethical requirements relating to audit engagements and each of the International Standards on Auditing relevant to the audit of the other historical financial information.~~

6. An audit of other historical financial information is an assurance engagement, as defined in the International Framework for Assurance Engagements (the Framework). The ISAs apply the Framework in the context of an audit of financial statements. Pursuant to ISA 200, paragraph 34, the term “financial statements” refers to a complete set of financial statements or a single financial statement. This ISA, however, also establishes standards and provides guidance for auditors’ reports on one or more specific elements, accounts or items of a financial statement.
97. ISA 200, “Objective and General Principles Governing an Audit of Financial Statements,” paragraph 4, requires the auditor to comply with relevant ethical requirements relating to an audit engagements. ISA 200, paragraph 11, requires the auditor, in determining the audit procedures to be performed in conducting an audit in accordance with ISAs, to comply with each of the ISAs relevant to the that audit. These requirements apply to an audit of a specific element, account or item of a financial statement. If an audit of a specific element, account or item of a financial statement is conducted in conjunction with the audit of the financial statements of which it forms a part, this is unlikely to cause difficulty. If such an audit, however, is carried out separately, compliance with each of the ISAs relevant to the audit requires careful consideration, and may not be practicable. Where an audit in accordance with ISAs is not practicable, the auditor discusses with the responsible party whether another type of engagement (for example, agreed-upon procedures) may be more practicable.
108. ISA 200 explains the objective and general principles governing an audit of financial statements. According to ISA 200, paragraph 34, the term “financial statements” can refer to a complete set of financial statements or a single financial statement. The proposed ISA 800 (Revised) also establishes standards and provides guidance for auditors’ reports on one or more specific elements, accounts or items of a financial statement, and other historical financial information prepared for a special purpose. Consequently, In applying the ISAs in an audit of other historical financial information, the auditor may find it necessary to adapt the standards and guidance in the other ISAs to the particular engagement circumstances takes into account the nature of the entity and its environment, the nature and objective of the other historical financial information, the applicable financial reporting framework, the information needs of the intended users, and other matters, for example, events, transactions, conditions and practices that may have a significant effect on the engagement.
11. For example, proposed ISA 320 (Revised), “Materiality in the Identification and Evaluation of Misstatements” establishes standards and provides guidance on materiality and how it is used in the identification and evaluation of misstatements when performing an audit of financial statements. The auditor may find it necessary to adapt these standards and guidance by taking into account the nature of the other historical financial information, the applicable financial reporting framework, the purpose for which the other historical financial information has been prepared, and the information needs of the intended users. If the applicable financial reporting framework, for example, does not define materiality and the other historical financial information was prepared for a purpose unrelated to making economic decisions, the definition of materiality in proposed ISA 320 (Revised), paragraph 6, may need to be adapted to reflect the specific information needs of the intended users.

- ~~12. The auditor has to be satisfied that application of the adapted standards and guidance will result in an audit conducted in accordance with ISAs, that is, compliance with each of the ISAs relevant to the audit of the other historical financial information.~~

Applicable Financial Reporting Framework

- ~~139. ISA 200, paragraph 37, requires describes the auditor’s responsibility to determine whether the financial reporting framework adopted by the responsible party management in preparing and presenting the other historical financial information financial statements is acceptable in the engagement circumstances. The auditor ordinarily makes this determination when considering whether to accept the audit engagement. As discussed in ISA 210, “Terms of Audit Engagements,” without an acceptable financial reporting framework, the auditor does not have suitable criteria for evaluating the entity’s financial statements. The auditor obtains an understanding of the financial reporting framework and the purpose for which the other historical financial information has been prepared.~~
- ~~14. A financial reporting framework that is acceptable for a general purpose may not be appropriate for a special purpose. Furthermore, a financial reporting framework that is acceptable for a special purpose may not be appropriate for a general or another special purpose. However, circumstances may exist where it is appropriate to use other historical financial information prepared for one purpose for another purpose. For example, financial statements prepared on the tax basis of accounting for partners to file their individual tax returns may in certain circumstances be used by the partnership as its general purpose financial statements.~~
- ~~15. Where the other historical financial information is being prepared for a single purpose, the responsible party has a responsibility to adopt a financial reporting framework suitable for that purpose. For example, it would not be appropriate to prepare other historical financial information in accordance with a financial reporting framework designed for a special purpose when the responsible party intends to use the financial information for general purposes and has no such special purpose in mind.~~
- ~~16. When auditing other historical financial information prepared in accordance with the provisions of a contract, the auditor obtains an understanding of any significant interpretations of the contract the responsible party made in preparing the financial information. An interpretation is significant if another reasonable interpretation would have produced a material difference in the other historical financial information.~~
- ~~2010. Depending on the engagement circumstances, t~~The set of criteria constituting the financial reporting framework may encompass not only the accounting standards promulgated by means of law or regulation, by authorized or recognized standards setting organizations, or the provisions of a contract, but may also encompass:
- The effect of the legal and ethical environment, including statutes, regulations, ~~and~~ court decisions, and professional ethical obligations in relation to accounting matters;

- Published views of varying authority on emerging accounting issues and accounting interpretations ~~of varying authority~~ issued by standards setting, professional or regulatory organizations;
 - Industry practices widely recognized and prevalent; ~~and~~
 - Accounting literature; and
 - Significant interpretations of a contract the responsible party made in preparing and presenting the financial information. (An interpretation is significant if another reasonable interpretation would have produced a material difference in the other historical financial information.)
1711. Unless the financial reporting framework is an established financial reporting framework recognized as suitable for the intended use, or specifically required to be used by law or regulation, the auditor considers whether, in the context of the engagement circumstances, the financial reporting framework it exhibits the following characteristics of suitable criteria: described in the Framework, paragraph 36.
- (a) ~~Relevance: Relevant criteria contribute to conclusions that assist the intended users to make decisions.~~
 - (b) ~~Completeness: Criteria are sufficiently complete when all relevant factors that could affect the conclusions in the context of the engagement circumstances are included. Complete criteria include, where relevant, benchmarks for presentation and disclosure.~~
 - (c) ~~Reliability: Reliable criteria allow reasonably consistent evaluation or measurement of the other historical financial information including, where relevant, presentation and disclosure, when used in similar circumstances.~~
 - (d) ~~Neutrality: Neutral criteria contribute to conclusions that are free from bias.~~
 - (e) ~~Understandability: Understandable criteria contribute to conclusions that are clear, comprehensive, and not subject to significantly different interpretations.~~
18. ~~The relative importance of each of these characteristics to a particular engagement is a matter of professional judgment, and depends on the engagement circumstances nature of the entity and its environment, the nature and objective of the other historical financial information, the information needs of the intended users, and other matters, for example, events, transactions, conditions and practices that may have a significant effect on the engagement. For example, even though a financial reporting framework designed for a special purpose may not result in preparation of other historical financial information that is neutral, that framework may still be acceptable in the engagement circumstances. For example, for the purposes of a balance sheet prepared to establish 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 to be made. This may result in preparing financial information that is not neutral (see paragraph 36(d) of the Framework), but it may nevertheless be acceptable in the circumstances.~~

- ~~19. Financial reporting provisions established by a regulator for the preparation and presentation of other historical financial information to meet the requirements of that regulator are presumed to be acceptable for that purpose.~~
- ~~21~~12. There is a presumption that partial compliance with the requirements of an established financial reporting framework does not constitute an acceptable financial reporting framework. However, there may be circumstances where the nature of the entity and its environment, the nature and objective of the other historical financial information, or the specific information needs of the intended users may justify partial compliance with the requirements of an established financial reporting framework. ~~Hence, the auditor considers whether the reasons for adopting such a financial reporting framework are acceptable in the engagement circumstances. When partial compliance with the requirements of an established financial reporting framework is acceptable in the engagement circumstances this is the case,~~ the other historical financial information ~~and the auditor’s report thereon describe this applicable financial reporting framework, but does~~ not imply full compliance with the requirements of the established financial reporting framework. (See Example 3 of Appendix 2.)
13. To enable readers to understand the financial reporting framework adopted by the responsible party in preparing and presenting the other historical financial information, the auditor encourages the responsible party to describe the applicable financial reporting framework in the other historical financial information. If the other historical financial information does not include an adequate description of the applicable financial reporting framework, the auditor should include such a description in the auditor’s report.

Form of Opinion

- ~~22. The form of opinion that the auditor considers to be appropriate depends on the engagement circumstances. Of particular relevance are (a) the legal requirements, regulations, or terms of the engagement, and (b) the requirements of the applicable financial reporting framework (which determines some of the responsibilities of the responsible party) and the purpose for which it was designed.~~
14. ISA 700 (Revised), paragraph 6, explains that, unless required by law or regulation to use different wording, the auditor’s opinion on a complete set of general purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation¹ states whether the financial statements “give a true and fair view” or “are presented fairly, in all material respects,” in accordance with the applicable financial reporting framework.

¹ ISA 200, “Objective and General Principles Governing an Audit of Financial Statements” defines “a financial reporting framework designed to achieve fair presentation” as a financial reporting framework that (a) provides a context for the auditor’s evaluation of the fair presentation of the financial statements, and (b) acknowledges, implicitly or explicitly, that to achieve the objective of fair presentation of the financial statements (i) it may be necessary for management to provide disclosures beyond the specific requirements of the framework, or (b) in extremely rare circumstances, it may be necessary for management to depart from the specific requirements of the framework.

- ~~2315. If the financial reporting framework has been designed to achieve fair presentation, the auditor also uses the terms "give a true and fair view" or "are presented fairly, in all material respects," to express the audit opinion on ~~the~~ other historical financial information prepared in accordance with a financial reporting framework designed to achieve fair presentation of the specific information presented, unless otherwise required by law or regulation.~~
- ~~24. If there is no obligation on the responsible party to achieve fair presentation in preparing and presenting the other historical financial information in accordance with the applicable financial reporting framework, the auditor may not be in a position to require departure from, or disclosures beyond, the specific requirements of the framework in order to achieve fair presentation. Where this is the case, the auditor does not use the terms "give a true and fair view" or "presents fairly, in all material respects," to express the audit opinion on the other historical financial information. The auditor may use the term "prepared, in all material respects, in accordance with the applicable financial reporting framework."~~
16. In the case of other historical financial information prepared in accordance with a financial reporting framework not designed to achieve fair presentation of the specific information presented, the auditor expresses an opinion on the appropriateness of the preparation and presentation of the other historical financial information in accordance with the applicable financial reporting framework. The auditor uses the term "properly prepared, in all material respects, in accordance with the applicable financial reporting framework" to express the audit opinion. The financial reporting framework may be designed for a general or special purpose.
17. In some jurisdictions, law or regulation governing the audit of other historical financial information may prescribe wording for the audit opinion that is different from the phrases described in paragraphs 15 and 16. Although the auditor may be obliged to use the prescribed wording, the auditor's responsibilities as described in this ISA for forming the opinion remain the same.
18. When wording prescribed by law or regulation differs significantly from the phrases in paragraphs 15 and 16, the auditor carefully considers whether there may be a risk that users might misunderstand the assurance obtained in the audit of the other historical financial information. In such circumstances, the auditor considers whether the risk of misunderstanding can be mitigated through appropriate explanation in the auditor's report (see proposed ISA 706).
19. When wording prescribed by law or regulation implies or requires a level of assurance different from that ordinarily obtained in an audit of other historical financial information (for example, when it requires a certification of fact), the auditor confirms the required level of assurance with the responsible party, and considers carefully whether the required level of assurance can be obtained, for example, by amending the scope of the audit. If the auditor concludes that the required level of assurance cannot be obtained, the auditor does not accept the engagement.

Forming an Opinion on the Other Historical Financial Information

2520. The auditor should evaluate the conclusions drawn from the audit evidence obtained as the basis for forming an opinion on the other historical financial information.

2621. When forming an opinion on the other historical financial information, the auditor evaluates whether, based on the audit evidence obtained, there is reasonable assurance about whether the financial information taken as a whole is free from material misstatement. This involves concluding whether sufficient appropriate audit evidence has been obtained to reduce to an acceptably low level the risks of material misstatement of the other historical financial information² and evaluating the effects of uncorrected misstatements identified.³

2722. The auditor also evaluates whether the financial information has been prepared and presented, in all material respects, in accordance with the specific requirements of the applicable financial reporting framework.

28. ~~In particular, the auditor~~ This evaluation includes considering whether, ~~in the context view of the engagement circumstances, including, in particular, specific requirements of~~ the applicable financial reporting framework:

- (a) The terminology used in the other historical financial information, including its title, is appropriate;
- (b) The accounting policies selected and applied are appropriate;
- (c) Accounting estimates, if any, made by the responsible party are reasonable;
- (d) The other historical financial information, including the accounting policies, is relevant, reliable, comparable and understandable;
- ~~(d)(e)~~ (e) The other historical financial information ~~sufficiently adequately~~ discloses the applicable financial reporting framework; and
- ~~(e)(f)~~ (f) ~~Except in the circumstances described in paragraphs 24, 41~~ The other historical financial information:
 - Sufficiently adequately discloses the significant accounting policies applied, and significant interpretations by the responsible party of regulatory, legal or contractual requirements. In jurisdictions where the applicable financial reporting framework is so codified as to preclude a choice of accounting policies or significant interpretations by the responsible party, a reference to the applicable financial reporting framework may suffice; and
- ~~—(g)~~ (g) ~~The other historical financial information P~~ provides ~~sufficient adequate~~ disclosures to enable the intended users to understand the effects of material transactions and events on the financial information.

2923. ~~When the other historical financial information has been prepared in accordance with a financial reporting framework designed to achieve fair presentation (see paragraph 23), the~~

² See ISA 330, "The Auditor's Procedures in Response to Assessed Risks."

³ See ISA 320, "Audit Materiality."

~~auditor considers the fair presentation of the financial information in accordance with the guidance in ISA 700 (Revised), paragraphs 14-15, adapted as necessary to the engagement circumstances. In the case of a single financial statement or a specific element, account or item of a financial statement, fair presentation ordinarily is achieved only when the financial statement, element, account or item has been prepared in accordance with all the requirements of a financial reporting framework designed to achieve fair presentation relevant to such financial statement, element, account or item, and includes all the relevant accompanying notes. Forming an opinion as to whether the other historical financial information gives a true and fair view or is presented fairly, in all material respects, in accordance with the applicable financial reporting framework (see paragraph 15), involves evaluating the fair presentation of the other historical financial information.⁴ The auditor considers the fair presentation of the other historical financial information in accordance with the guidance in ISA 700 (Revised), paragraphs 14-15.~~

~~3024. When there is no obligation on the responsible party to achieve fair presentation in preparing and presenting the other historical financial information in accordance with the applicable financial reporting framework (see paragraph 24), the auditor nevertheless considers whether the other historical financial information may be misleading in the engagement circumstances. If the auditor concludes that the other historical financial information is misleading in the engagement circumstances, the auditor discusses the matter with the responsible party and considers the effect on the auditor's report. The effect will depend on how the responsible party addresses the matter in the other historical financial information. The proposed⁵ revised Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC) states that professional accountants should not be associated with reports, returns, communications or other information where they believe that the information (a) contains a material false or misleading statement, (b) contains statements or information furnished recklessly, or (c) omits or obscures information required to be included where such omission or obscurity would be misleading. Accordingly, even where the other historical financial information has been prepared in accordance with a framework not designed to achieve fair presentation of the specific item presented, the auditor considers whether the information may be misleading in view of the nature of the entity and its environment, the nature and objective of the financial information, the applicable financial reporting framework and legal or regulatory requirements, the information needs of the intended users, and other matters, for example, events, transactions, conditions and practices that may have a significant effect on the engagement.~~

~~25. If, based on the auditor's considerations discussed in paragraphs 23 or 24, the auditor concludes that the other historical financial information is misleading in the circumstances,~~

⁴ As indicated in paragraph 17, this responsibility applies where the financial reporting framework was designed to achieve fair presentation, even though the auditor may be required to report in other terms (such as whether the other historical financial information has been properly prepared in accordance with the applicable financial reporting framework).

⁵ The proposed revised Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC) will be considered for approval to be issued as a final revised Code at the June 2005 Ethics Committee meeting. If necessary, the text in this paragraph will be revised to be in line with the text of the final revised Code.

the auditor discusses the matter with the responsible party and considers the effect on the auditor's report. The effect will depend on how the responsible party addresses the matter in the other historical financial information.

Elements of the Auditor's Report

~~3426.~~ The content of the auditor's report on other historical financial information is a matter of professional judgment ~~and depends on the engagement circumstances.~~ **At a minimum, the auditor's report on other historical financial information should include the following elements:**

- (a) **A title clearly identifying it as the report of an independent auditor.⁶**
- (b) **An addressee.**
- (c) **An introductory paragraph that:**
 - (i) **Identifies the entity whose other historical financial information has been audited;**
 - (ii) **Identifies the other historical financial information that was audited; and**
 - (iii) **States that the other historical financial information has been audited.**
- (d) **Identification of the responsible party, and a description of that party's responsibility for preparing and presenting the other historical financial information⁷ in accordance with the applicable financial reporting framework. (This reference to the applicable financial reporting framework should constitute an adequate description of the applicable financial reporting framework or a reference to a note in the other historical financial information that adequately describes the financial reporting framework.)**
- (e) **A statement that the auditor is responsible for expressing an opinion on the other historical financial information based on the audit.**
- (f) **~~A description of the scope paragraph of the audit that includes a reference to the ISAs and relevant ethical requirements, and a description of the work an auditor performs in an audit that includes:~~**
 - (i) A statement that the audit was conducted in accordance with ISAs;**
 - (ii) An explanation that those standards require that the auditor comply with ethical requirements, and that the auditor plan and perform the audit to obtain reasonable assurance whether the other historical financial information is free from material misstatement; and**

⁶ A title indicating the report is the report of an independent auditor, for example, "Independent Auditor's Report," affirms that the auditor has met all of the relevant ethical requirements regarding independence, and therefore, distinguishes the independent auditor's report from reports issued by others.

⁷ Where ~~either of the terms described in paragraphs 29-30 of this ISA is the terms "give a true and fair" or "are presented fairly, in all material respects,"~~ are used to express the auditor's opinion on other historical financial information, the auditor's report refers to "the preparation and *fair* presentation of the other historical financial information" instead of "preparation and presentation."

(iii) A description of an audit.

- (g) A statement that the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.
- (h) A paragraph containing a clear expression of opinion on the other historical financial information that refers to the applicable financial reporting framework.
- (i) The auditor's signature.
- (j) The date of the auditor's report.
- (k) The auditor's address.

Consistency in the elements of the auditor's report helps to promote the reader's understanding and to identify unusual circumstances when they occur.

3227. In fulfilling the requirements of paragraph ~~31 26~~, the auditor applies the standards and guidance in ISA 700 (Revised), paragraphs 18-~~51 and 57~~, ~~adapted as necessary to the engagement circumstances relevant to the audit of the other historical financial information.~~ Appendix 2 to this ISA contains examples of auditors' reports on other historical financial information.

Description of the Applicable Financial Reporting Framework

3328. ~~Where~~ **When** the responsible party has a choice of financial reporting frameworks, the ~~description of the responsible party's responsibility for preparing and presenting the other historical information (see in paragraph 31 26(d)), should be expanded to include its the responsible party's responsibility for determining that the applicable financial reporting framework is acceptable in view of the engagement circumstances (including, in particular, the specific nature of the entity and its environment, the nature and objective of the other historical financial information, and the information needs of the intended users).~~ Expanding the description may not be necessary, however, where the other historical financial information is prepared in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator.

5129. When the other historical financial information has been prepared for a special purpose, ~~and the reference to the applicable financial reporting framework in the description in the auditor's report of the responsible party's responsibility for preparing and presenting the other historical financial information (see in paragraph 31 26(d)) does not~~ **should** make clear the ~~purpose objective for which of the financial information has been prepared, the description should (a) be expanded to describe the purpose and, if necessary, the intended users of the other historical financial information, or (b) refer to a note in the financial information that contains this that~~ information.

Restriction on Distribution or Use

3430. When the other historical financial information has been prepared in accordance with a financial reporting framework designed for a special purpose, the auditor should make a user of the financial information aware of that fact and that, as a result, ~~it the other historical financial information~~ may not be suitable for another purpose. The auditor

includes such a statement in a separate paragraph following the auditor's opinion. ~~Where an emphasis of matter paragraph or other matters paragraph has been inserted in the auditor's report (see proposed ISA 702), this statement precedes the emphasis of matter paragraph or other matters paragraph. Financial information prepared in accordance with a framework designed for a special purpose may not be appropriate for use by anyone other than the intended users. The auditor, however, may not be in the position to control the distribution or use of the other historical financial information on which the auditor reports. For example, certain entities may be required by a regulator to place the other historical financial information on public record.~~

- ~~5231.~~ When the other historical financial information has been prepared for a special purpose ~~(irrespective of whether the applicable financial reporting framework was designed for a general or special purpose)~~, the auditor ~~should also~~ considers including a statement in the auditor's report that the auditor's report is intended solely for the intended users and should not be distributed to or used by parties other than the intended users. ~~Financial information prepared for a special purpose may not be appropriate for use by others than the intended users. The auditor, however, cannot control the distribution and use of the other historical financial information on which the auditor reports. For example, certain entities may be required by a regulator to place the other historical financial information on public record. As another~~ For example, ~~other entities~~ an entity may inappropriately provide other historical financial information prepared for a special purpose to a broader user group, such as shareholders, who may use the financial information for a variety of purposes. The auditor may consider it appropriate in the ~~engagement~~ circumstances to indicate in the terms of the engagement and the auditor's report that the auditor's report ~~could~~ may be distributed to or used by parties other than the intended users only if the auditor's prior written consent is obtained.

Reporting on Additional Responsibilities

- ~~3532.~~ The auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibility to express an opinion on the other historical financial information. Where this is the case, the auditor applies the standards and guidance in ISA 700 (Revised), paragraphs 46-49, ~~adapted as necessary to the engagement circumstances relevant to the audit of the other historical financial information.~~
- ~~36.~~ ~~The auditor should date the report on the other historical financial information no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the opinion on the financial information. Sufficient appropriate audit evidence should include evidence that the preparation of this other historical financial information has been completed, and that the responsible party has asserted its responsibility for that financial information. Evidence of the responsible party's assertion of its responsibility for preparing and presenting the other historical financial information in accordance with the applicable financial reporting framework may include a statement in the management representation letter or an appropriately signed statement on the other historical financial information. The person(s) with recognized authority to provide such a statement or other form of assertion depends on the engagement circumstances. For example, in certain circumstances it may be those charged with~~

~~governance. In other circumstances it may be the person responsible for preparing and submitting a return in accordance with the financial reporting provisions established by a regulator.~~

Auditor's Report for Audits Conducted in Accordance with Both ISAs and Auditing Standards of a Specific Jurisdiction or Country

~~3733.~~ The auditor may conduct the audit of the other historical financial information in accordance with both the ISAs and the auditing standards of a specific jurisdiction or country. Where this is the case, the auditor applies the standards and guidance in ISA 700 (Revised), paragraphs 61-66, ~~adapted as necessary to the engagement circumstances~~ relevant to the audit of the other historical financial information.

Unaudited Supplementary Information Presented with Audited Other Historical Financial Information

~~3834.~~ The auditor should be satisfied that any supplementary information (presented together with the other historical financial information) that is not covered by the auditor's opinion is clearly differentiated from the audited financial information. Where unaudited supplementary information is presented with the audited other historical financial information, the auditor applies the standards and guidance in ISA 700 (Revised), paragraphs 67-71, ~~adapted as necessary to the engagement circumstances~~ relevant to the audit of the other historical financial information.

Prescribed Forms of Reports

~~39.~~ The auditor's report on other historical financial information may be required by law or regulation to be in a prescribed form that may not conform to the requirements of this ISA. For example, the prescribed report may require a certification of fact when an expression of opinion is appropriate or may omit essential wording. When required to report in a prescribed form, the auditor considers whether the substance and wording of the prescribed report are appropriate in the engagement circumstances.

~~40.~~ If the auditor concludes that the substance or wording of the prescribed report is not appropriate in the engagement circumstances, the auditor should make appropriate changes to conform to the requirements of this ISA, either by rewording the prescribed report or by substituting the prescribed report with a report that conforms to the requirements of this ISA. If the auditor is not permitted to do so, the auditor does not report on the other historical financial information, unless the auditor is required by law or regulation to report in such prescribed format.

Reporting Considerations Specific to Reporting on a Single Financial Statement, Element, Account or Item

Audit Considerations

~~41.~~ Proposed ISA 320 (Revised) establishes standards and provides guidance on materiality and how it is used in the identification and evaluation of misstatements when performing an audit

~~of financial statements. The materiality level appropriate for a complete set of financial statements may not be appropriate for a single financial statement. The materiality level may also be different for a specific element, account or item of a financial statement, compared to an entire financial statement, since a specific element, account or item may provide a smaller base against which to measure materiality.~~

- ~~42. In determining the scope of an engagement to express an audit opinion on a single financial statement, or one or more specific elements, accounts or items of a financial statement, the auditor should consider the interrelationship between related financial statements, or between various elements, accounts or items within a financial statement. For example, in auditing revenue, the auditor considers the relationship between revenue, receivables and inventory, and the pervasive effect of internal control, particularly with respect to the completeness assertion.~~

Reporting Considerations

- ~~43. A single financial statement, or a specific element, account or item of a financial statement, may be prepared in accordance with all the requirements of an established financial reporting framework that are relevant to such financial statement, element, account or item. If the auditor considers this to be acceptable in the engagement circumstances, the other historical financial information and the related auditor's report may refer to the established financial reporting framework, but do not imply compliance with all the requirements of that framework.~~

- 4535.** An auditor may undertake an engagement to report on a single financial statement or statements, or one or more specific elements, accounts or items of a financial statement, separately or together with an audit of the entity's complete set of financial statements. Even when undertaken together, each engagement requires a separate audit opinion. **Where** **When** the entity intends to publish an audited single financial statement, element, account or item together with the complete set of financial statements, the auditor should consider whether (a) the entity's presentation of the audited single financial statement, element, account or item differentiates it sufficiently from the complete set of financial statements, and (b) the audit opinion on the single financial statement, element, account or item is sufficiently differentiated from the audit opinion on the complete set of financial statements. If the auditor concludes that the differentiation is insufficient, the auditor asks the responsible party to rectify the situation. The auditor does not issue the auditor's report on the other historical financial information until satisfied with the differentiation.
- 4436.** When the auditor expresses an opinion on one or more specific elements, accounts or items in a financial statement and a modified opinion has been expressed with respect to that financial statement, or an emphasis of matter paragraph or other matters paragraph has been included in the auditor's report with respect to that financial statement, the auditor should consider the effect that this may have on the auditor's report on the specific elements, accounts or items constituting the other historical financial information.

37. ~~Where~~ When the modified opinion with respect to the financial statement relates to the other historical financial information, the auditor considers whether to modify the opinion on the other historical financial information in a similar manner. ~~Where~~ When the modified opinion with respect to the financial statement does not relate to the other historical financial information, the auditor considers whether it may be necessary to refer to the modified opinion in an other matters paragraph (see proposed ISA 706) in the auditor's report on the other historical financial information.
38. In accordance with proposed ISA 705, paragraph 34, the auditor is not permitted to include a supplementary unmodified opinion on one or more specific elements, accounts or items of a financial statement in an auditor's report that contains an adverse opinion or a disclaimer of opinion on the financial statements as a whole. The auditor, however, may be able to express an opinion on one or more specific elements, accounts or items in a financial statement with respect to which the auditor has expressed an adverse opinion or a disclaimer of opinion, provided that (a) the matters to be reported on and the related scope of the audit were not intended to and did not encompass so many elements, accounts or items as to constitute a major portion of that financial statement, and (b) the opinion on the specified element, account or item is presented in a separate report.

Considerations Specific to Reporting on Other Historical Financial Information Prepared for a Special Purpose

Acceptance and Audit Considerations

46. ~~In preparing and presenting other historical financial information for a special purpose, the responsible party may agree with the intended users on the materiality level. Where this is the case, the auditor obtains evidence of such agreement and evaluates the appropriateness of the materiality level in the engagement circumstances, and for purposes of the audit of the other historical financial information. The auditor compares the materiality level agreed between the responsible party and the intended users with the materiality level the auditor would have determined in the engagement circumstances.~~
47. ~~If the materiality level agreed between the responsible party and the intended users approximates the materiality level determined by the auditor, the auditor uses the agreed materiality level for purposes of the audit.~~
48. ~~If the materiality level agreed between the responsible party and the intended users does not approximate the materiality level determined by the auditor, but the auditor concludes that the agreed materiality level is appropriate in the engagement circumstances, the auditor uses the agreed materiality level for purposes of the audit. The auditor considers the need for the agreed materiality level to be disclosed in the other historical financial information or the auditor's report. Furthermore, the auditor does not use the terms "give a true and fair view" or "presents fairly, in all material respects," to express the audit opinion on the other historical financial information.~~
49. ~~If the materiality level agreed between the responsible party and the intended users does not approximate the materiality level determined by the auditor, and the auditor concludes that~~

~~the agreed materiality level is not appropriate in the engagement circumstances, the auditor considers whether there is a rational purpose for the engagement (see International Framework for Assurance Engagements, paragraph 17(b)(v)). If there is a significant limitation on the scope of the auditor’s work (see International Framework for Assurance Engagements, paragraph 55), it may be unlikely that the engagement has a rational purpose. Also, the auditor may believe that the responsible party intends to associate the auditor’s name with the other historical financial information in an inappropriate manner (see International Framework for Assurance Engagements, paragraph 61). In these circumstances, the auditor does not accept the engagement to report on the other historical financial information.~~

Reporting Considerations

~~50. In the case of other historical financial information prepared for a special purpose, the auditor also obtains an understanding of:~~

- ~~(a) The purpose for which the financial information has been prepared;~~
- ~~(b) The intended users; and~~
- ~~(c) The steps taken by the responsible party to determine the appropriateness of the financial reporting framework.~~

Effective Date

~~5339.~~ This ISA is effective for auditor’s reports dated on or after December 31, 2006.

Appendix 1

Examples of a Single Financial Statement and Examples of a Specific Element, Account or Item of a Financial Statement

Examples of a single financial statement include the following:

- Balance sheet.
- Statement of income or statement of operations.
- Statement of retained earnings.
- Statement of cash flows.
- Statement of changes in owners' equity.
- Statement of assets and liabilities that does not include owners' equity.
- Statement of revenue and expenses.
- Statement of operations by product lines.
- Statement of cash receipts and disbursements.

Examples of specific elements, accounts or items of a financial statement include the following:

- 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.
- A schedule of externally managed assets and income of a private pension plan.
- A schedule of net tangible assets.
- A schedule of disbursements in relation to a lease property.
- A schedule of profit participation or employee bonuses.
- A schedule of share price movements and of average share price.

Appendix 2

Examples of Reports on Other Historical Financial Information

Example 1:

Engagement circumstances include the following:

- **Audit of a complete set of financial statements.**
- **The financial statements have been prepared by the management of the entity in accordance with the tax basis of accounting (i.e., a financial reporting framework designed for a special purpose, but not designed to achieve fair presentation) for purposes of filing the entity's income tax return (i.e., a special purpose).**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Partnership, which comprise the balance sheet as at December 31, 20X1 and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of these financial statements in accordance with the tax basis of accounting for the purpose of [describe purpose, e.g., filing with the relevant tax authority]. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates, if any, that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates, ~~if any,~~ made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of ABC Partnership for the year ended December 31, 20X1 have been properly prepared, in all material respects, in accordance with the tax basis of accounting.⁸

Restriction on ~~Use and Distribution~~ or Use of the Auditor's Report

~~The financial statements may not be suitable for a purpose other than filing the income tax return of ABC Company and should be used by ABC Company for that purpose only. Furthermore, this auditor's report should not be distributed to or used by any parties other than ABC Partnership or its partners. The financial statements have been prepared in accordance with the tax basis of accounting for purposes of [describe purpose, e.g., filing the income tax return of ABC Partnership with the relevant taxation authority]. The financial statements may not be suitable for another purpose. Our report is intended solely for ABC Partnership and its partners and should not be distributed to or used by parties other than ABC Partnership or its partners.~~

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

⁸ ~~Terms used to describe the auditor's opinion may vary depending on the engagement circumstances. Where the auditor's opinion contains the term "true and fair" or "present fairly, in all material respects," the term "preparation and fair presentation" is used instead of "preparation and presentation."~~

Example 2:

Engagement circumstances include the following:

- **Audit of a statement of cash receipts and disbursements (i.e., a single financial statement).**
- **The financial statement has been prepared by the management of the entity in accordance with the cash receipts and disbursements basis of accounting (i.e., a financial reporting framework designed for a special purpose, but not to achieve fair presentation) to respond to a request for cash flow information received from a creditor (i.e., a special purpose).**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying statement of cash receipts and disbursements of ABC Company for the year ended December 31, 20X1.

Management’s Responsibility for the Financial Statement

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the statement of cash receipts and disbursements of ABC Company for the year ended December 31, 20X1 has been properly prepared, in all material respects, in accordance with the cash receipts and disbursements basis of accounting described in Note X.⁹

Restriction on ~~Use and Distribution~~ or Use of the Auditor's Report

The statement of cash receipts and disbursements has been prepared, in all material respects, in accordance with the cash receipts and disbursements basis of accounting described in Note X for purposes of providing information to XYZ Creditor, and, as a result, The statement may not be suitable for ~~some~~ another purposes. ~~Furthermore, this auditor's~~ Our report is intended solely for ABC Company and XYZ Creditor and should not be distributed to or used by ~~any~~ parties other than ABC Company ~~and or {describe other intended users}~~ XYZ Creditor.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

⁹ ~~Terms used to describe the auditor's opinion may vary depending on the engagement circumstances. Where the auditor's opinion contains the term "true and fair" or "present fairly in all material respects," the term "preparation and fair presentation" is used instead of "preparation and presentation."~~

Example 3:

Engagement circumstances include the following:

- **Audit of a balance sheet (i.e., a single financial statement).**
- **The financial statement has been prepared by the management of the entity in accordance with the International Financial Reporting Standards of Country X (i.e., a financial reporting framework designed for a general purpose to achieve fair presentation of the specific information presented) in order to provide financial information to the entity's customers and others (i.e., a general purpose).**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying balance sheet of ABC Company ~~for the year ended~~ as of December 31, 20X1, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the International Financial Reporting Standards of Country X. This responsibility includes: determining that the International Financial Reporting Standards of Country X are an acceptable basis for preparing and fairly presenting the financial statement in the circumstances; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates, ~~if any,~~ if that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, ~~if any,~~ made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the balance sheet, and summary of significant accounting policies and other explanatory notes, give a true and fair view of (or “present fairly, in all mater respects,”) the financial position of ABC Company ~~for the year ended~~ as of December 31, 20X1 in accordance with the requirements of the ~~International~~ Financial Reporting Standards of Country X that are relevant to the preparation and fair presentation of a balance sheet.

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]

Example 4:

Engagement circumstances include the following:

- **Audit of the liability for “incurred but not reported” claims in an insurance portfolio (i.e., element, account or item of a financial statement).**
- **The financial information has been prepared by the management of the entity in accordance with the financial reporting provisions established by a regulator (i.e., a financial reporting framework designed for a special purpose, but not designed to achieve fair presentation) to meet the requirements of that regulator (i.e., a special purpose).**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

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

Management’s Responsibility for the Schedule

Management is responsible for the preparation and presentation of the schedule in accordance with [describe the financial reporting provisions established by the regulator]. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of a schedule that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates, ~~if any~~, that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, ~~if any~~, made by management, as well as evaluating the overall presentation of the schedule.

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

Opinion

In our opinion, the financial information in the schedule of the liability for “incurred but not reported” claims of ABC Insurance Company as of December 31, 20X1 has been properly prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulator].⁴⁰

Restriction on Distribution or Use of the Auditor’s Report

The schedule has been prepared in accordance with [describe the financial reporting provisions established by the regulator] and, ~~as a result,~~ may not be suitable for another purpose. ~~Furthermore, this auditor’s~~ Our report is intended solely for ABC Insurance Company and [insert name of regulator] and should not be distributed to or used by ~~any~~ parties other than ABC Insurance Company ~~and or~~ [insert name of regulator].

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]

⁴⁰ ~~Terms used to describe the auditor’s opinion may vary depending on the engagement circumstances. Where the auditor’s opinion contains the term “true and fair” or “present fairly in all material respects,” the term “preparation and fair presentation” is used instead of “preparation and presentation.”~~

Example 5:

Engagement circumstances include the following:

- **Audit of revenue (i.e., element, account or item of a financial statement).**
- **The financial information has been prepared by the management of the entity in compliance with the financial reporting provisions of a lease contract (i.e., a financial reporting framework designed for a special purpose, but not designed to achieve fair presentation) to determine the monthly rent for the following year (i.e., a special purpose).**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying schedule of revenue of ABC Company as of for the year ended December 31, 20X1 prepared in compliance with the financial reporting provisions set out in paragraphs [insert paragraph numbers] of [identify the contract, including the date thereof].¹¹

Management’s Responsibility for the Schedule

Management is responsible for the preparation and presentation of the schedule in accordance with the financial reporting provisions of the contract for purposes of determining the monthly rent to be paid by ABC Company to DEF Company for the year ended December 31, 20X2. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of a schedule that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates, if any, that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the schedule has been prepared in accordance with the financial reporting provisions of the contract.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and presentation of the schedule in order to design audit procedures that are appropriate in the

¹¹ If applicable and necessary, the introductory paragraph could be amended to read as follows: “We have audited the accompanying schedule of revenue of ABC Company as of December 31, 20X1 prepared in compliance with the financial reporting provisions set out in paragraphs [insert paragraph numbers] of [identify the contract, including the date thereof] *and the interpretations of these provisions set out in Note X to the schedule of revenue.*” The opinion paragraph is also amended accordingly.

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the schedule.

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

Opinion

In our opinion, the financial information in the schedule of revenue of ABC Company for the year ended December 31, 20X1 has been properly prepared, in all material respects, in accordance with the financial reporting provisions of the contract.⁺²

Restriction on Distribution ~~and~~ or Use of the Auditor's Report

The schedule of revenue has been prepared in accordance with the financial reporting provisions of contract for purposes of determining the monthly rent to be paid by ABC Company to DEF Company for the year ended December 31, 20X2. The schedule may not be suitable for another purpose ~~other than determining the monthly rent to be paid by ABC Company to DEF Company for the year ended December 31, 20X2 and should be used by ABC Company for that purpose only.~~ Furthermore, this auditor's Our report is intended solely for ABC Company and DEF Company and should not be distributed to or used by ~~any~~ any parties other than ABC Company ~~and~~ or DEF Company.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

⁺² ~~Terms used to describe the auditor's opinion may vary depending on the engagement circumstances. Where the auditor's opinion contains the term "true and fair" or "present fairly in all material respects," the term "preparation and fair presentation" is used instead of "preparation and presentation."~~

Example 6:

Engagement circumstances include the following:

- **Audit of a complete set of financial statements required by law or regulation.**
- **The financial statements have been prepared for a general purpose by the management of the entity in accordance with the Financial Reporting Standards of Country X (i.e., a financial reporting framework designed for a general purpose, but not designed to achieve fair presentation).**
- **~~However, there is no obligation on management to achieve fair presentation, but rather to prepare and present the other historical financial information strictly in accordance with, and limited to, the applicable financial reporting framework. Consequently, the auditor is not in a position to require departure from, or disclosures beyond, the specific requirements of the framework in order to achieve fair presentation (see paragraph 24).~~**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC 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 a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of these financial statements in accordance with the Financial Reporting Standards of Country X. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates, ~~if any,~~ that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates, ~~if any~~, made by management, as well as evaluating the presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of ABC Company have been properly prepared, in all material respects, in accordance with the Financial Reporting Standards of Country X.

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]