

**PROPOSED INTERNATIONAL STANDARD ON AUDITING 800  
(REVISED)****THE INDEPENDENT AUDITOR'S REPORT ON OTHER HISTORICAL  
FINANCIAL INFORMATION**

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

**CONTENTS**

	Paragraph
Introduction.....	1-6
Definitions.....	7
Application of Ethical Requirements and Other ISAs.....	8-12
Applicable Financial Reporting Framework.....	13-21
Form of Opinion .....	22-24
Forming an Opinion on the Other Historical Financial Information .....	25-30
Elements of the Auditor's Report .....	31-36
Auditor's Report for Audits Conducted in Accordance with Both ISAs and Auditing Standards of Specific Jurisdiction or Country .....	37
Unaudited Supplementary Information Presented with Audited Other Historical Financial Information.....	38
Prescribed Forms of Reports.....	39-40
Considerations Specific to Reporting on a Single Financial Statement, Element, Account or Item .....	41-45
Considerations Specific to Reporting on Other Historical Financial Information Prepared for a Special Purpose .....	46-52
Effective Date .....	53
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), "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. 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 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;
- 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 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 a profit-oriented entity may prepare;
- 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.

5. 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), "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, "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.
6. 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).
  - (b) A report issued, for purposes of the audit of group financial statements, as a result of an audit performed on a component's financial information that is to be included in the 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 are contained in proposed ISA 810, "The Independent Auditor's Report on Summarized Audited Historical Financial Information."
  - (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:

- (i) "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.
- (ii) "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.
- (iii) "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.
- (iv) "Financial reporting framework designed for a special purpose" means a financial reporting framework designed to meet the information needs of specific intended users.
- (v) "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.
- (vi) "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.**
- 9. 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 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 audit.
- 10. 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 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.

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**

13. ISA 200, paragraph 37, requires the auditor to determine whether the financial reporting framework adopted by the responsible party in preparing the other historical financial information is acceptable in the engagement circumstances. 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.
17. The auditor considers whether, in the context of the engagement circumstances, the financial reporting framework exhibits the following characteristics of suitable criteria:
    - (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. 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.
  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.
  20. Depending on the engagement circumstances, 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 environment, including statutes, regulations and court decisions in relation to accounting matters;
    - Published views 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.
  21. 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 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, the other historical financial information and the auditor's report thereon describe this applicable financial reporting framework, but do not imply full compliance with the requirements of the established financial reporting framework. (See Example 3 of Appendix 2.)

## 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.
23. If the financial reporting framework has been designed to achieve fair presentation, the auditor uses 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, 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."

## Forming an Opinion on the Other Historical Financial Information

25. **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.**
26. 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 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 information<sup>1</sup> and evaluating the effects of uncorrected misstatements identified.<sup>2</sup>
27. The auditor also evaluates whether the financial information has been prepared, in all material respects, in accordance with the specific requirements of the applicable financial reporting framework.

---

<sup>1</sup> See ISA 330, "The Auditor's Procedures in Response to Assessed Risks."

<sup>2</sup> See ISA 320, "Audit Materiality."

28. In particular, the auditor considers whether, in the context of the engagement circumstances, including, in particular, 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 sufficiently discloses the applicable financial reporting framework; and
  - (e) Except in the circumstances described in paragraphs 24, the other historical financial information:
    - (i) Sufficiently 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
    - (ii) Provides sufficient disclosures to enable the intended users to understand the effects of material transactions and events on the financial information.
29. 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 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.
30. 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.

### **Elements of the Auditor's Report**

31. 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.<sup>3</sup>**
- (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 information<sup>4</sup> in accordance with the applicable 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 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.**
- (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.

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

---

<sup>3</sup> 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.

<sup>4</sup> Where either of the terms described in paragraphs 29-30 of this ISA is 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.”

33. **Where 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 paragraph 31(d)), should be expanded to include its responsibility for determining that the applicable financial reporting framework is acceptable in the engagement circumstances (including, in particular, the specific 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.
34. **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 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.
35. 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.
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**

37. 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.

## **Unaudited Supplementary Information Presented with Audited Other Historical Financial Information**

38. **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.

## **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.

## **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.
44. **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.** Where 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 the modified opinion 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 in the auditor's report on the other historical financial information.
45. 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 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.

## 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.
51. **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 paragraph 31(d)) does not make clear the purpose for which 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 information.**

52. **When the other historical financial information has been prepared for a special purpose, the auditor should consider including a statement in the auditor's report that the auditor's report is intended solely for the intended users and should not be distributed to or used by 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 example, other entities 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 that the auditor's report could be distributed to parties other than the intended users if the auditor's prior written consent is obtained.

### **Effective Date**

53. 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.

## 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) 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. 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 have been prepared, in all material respects, in accordance with the tax basis of accounting.<sup>5</sup>

### **Restriction on Use and Distribution**

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.

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]

---

<sup>5</sup> 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) 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. 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 has been prepared, in all material respects, in accordance with the cash receipts and disbursements basis of accounting described in Note X.<sup>6</sup>

### **Restriction on Use and Distribution**

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 and, as a result, may not be suitable for some purposes. Furthermore, this auditor’s report should not be distributed to or used by any parties other than ABC Company and [describe other intended users].

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]

---

<sup>6</sup> 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 International Financial Reporting Standards (i.e., a financial reporting framework designed for a general purpose) 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 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 International Financial Reporting Standards. This responsibility includes: determining that International Financial Reporting Standards 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, 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 December 31, 20X1 in accordance with the requirements of the International Financial Reporting Standards 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) 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 has been prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulator].<sup>7</sup>

## Restriction on 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 report should not be distributed to or used by any parties other than ABC Insurance Company and [insert name of regulator].

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]

---

<sup>7</sup> 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) 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 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].

**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 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 has been prepared, in all material respects, in accordance with the financial reporting provisions of the contract.<sup>8</sup>

### **Restriction on Distribution and Use of the Auditor’s Report**

The schedule may not be suitable for a 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 report should not be distributed to or used by any parties other than ABC Company and DEF Company.

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]

---

<sup>8</sup> 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).**
- **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 have been 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]

[Blank Page]