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PROPOSED INTERNATIONAL STANDARD ON AUDITING 701 (REVISED)

THE INDEPENDENT AUDITOR'S REPORT ON OTHER HISTORICAL FINANCIAL INFORMATION

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

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International Standard on Auditing (ISA) 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 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").
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); and
 - One or more specific elements, accounts or items of a financial statement.

Paragraphs 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 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. 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 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 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.

5. 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 solely to a group auditor by another auditor as a result of an audit performed on a component's financial information 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 financial statements are contained in proposed ISA 800, "The Independent Auditor's Report on Summarized Audited 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, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information."

Application of Ethical Requirements and Other ISAs

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.
7. ISA 200, paragraph 4, requires the auditor to comply with relevant ethical requirements relating to an audit engagement. 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 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.

8. In applying the ISAs in an audit of other historical financial information, the auditor 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.

Applicable Financial Reporting Framework

9. ISA 200 describes the auditor's responsibility to determine whether the financial reporting framework adopted by management in preparing and presenting the financial statements is acceptable. 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..
10. 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, court decisions, and professional ethical obligations in relation to accounting matters;
 - Published views of varying authority on emerging accounting issues and accounting interpretations issued by standards setting, professional or regulatory organizations;
 - Industry practices widely recognized and prevalent;
 - 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.)
11. 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 it exhibits the characteristics of suitable criteria described in the Framework, paragraph 36. The relative importance of each of these characteristics to a particular engagement is a matter of professional judgment, and depends on the 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, 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.

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 information needs of the intended users may justify partial compliance with the requirements of an established financial reporting framework. When this is the case, the other historical financial information 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

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.
15. 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 other historical financial information prepared in accordance with a financial reporting framework designed to achieve fair presentation of the specific information presented.

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.

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

20. **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.**
21. 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

² See ISA 330, “The Auditor’s Procedures in Response to Assessed Risks.”

³ See ISA 320, “Audit Materiality.”

22. 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.

This evaluation includes considering whether, in view of the 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;
 - (e) The other historical financial information adequately discloses the applicable financial reporting framework; and
 - (f) The other historical financial information 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) The other historical financial information provides adequate disclosures to enable the intended users to understand the effects of material transactions and events on the financial information.
23. 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.
24. 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)

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.

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, 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

26. The content of the auditor's report on other historical financial information is a matter of professional judgment. **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.)**

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 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."

- (e) **A statement that the auditor is responsible for expressing an opinion on the other historical financial information based on the audit.**
- (f) **A scope paragraph 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**
 - (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.

27. In fulfilling the requirements of paragraph 26, the auditor applies the standards and guidance in ISA 700 (Revised), paragraphs 18-57, 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

28. **When the responsible party has a choice of financial reporting frameworks, the description in paragraph 26(d) should be expanded to include the responsible party's responsibility for determining that the applicable financial reporting framework is acceptable in view of the 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.**
29. **When the other historical financial information has been prepared for a special purpose, the reference to the applicable financial reporting framework in paragraph 26(d) should make clear the objective of the financial information and, if necessary, the intended users, or refer to a note in the financial information that contains that information.**

Restriction on Distribution or Use

30. **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, 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. 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.

31. 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 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. For example, 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 circumstances to indicate in the terms of the engagement and the auditor's report that the auditor's report 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

32. 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, relevant to the audit of the other historical financial information.

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

33. 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, relevant to the audit of the other historical financial information.

Unaudited Supplementary Information Presented with Audited Other Historical Financial Information

34. **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, relevant to the audit of the other historical financial information.

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

35. 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. **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.
36. **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. 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. 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.

Effective Date

39. 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:

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 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 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.

Restriction on Distribution or Use of the Auditor’s Report

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]

Example 2:

Circumstances include the following:

- **Audit of a statement of cash receipts and disbursements (i.e., a single financial statement).**
- **The financial statement has been prepared by the management of the entity in accordance with the cash receipts and disbursements basis of accounting (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.

Restriction on 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. The statement may not be suitable for another purpose. Our report is intended solely for ABC Company and XYZ Creditor and should not be distributed to or used by parties other than ABC Company or XYZ Creditor.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Example 3:

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 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 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 Financial Reporting Standards of Country X. This responsibility includes: determining that the 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 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 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 as of December 31, 20X1 in accordance with the requirements of the 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:

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 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 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].

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 may not be suitable for another purpose. Our report is intended solely for ABC Insurance Company and [insert name of regulator] and should not be distributed to or used by parties other than ABC Insurance Company or [insert name of regulator].

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]

Example 5:

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 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].⁸

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

⁸ 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.

Restriction on Distribution 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. Our report is intended solely for ABC Company and DEF Company and should not be distributed to or used by parties other than ABC Company or DEF Company.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Example 6:

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).**

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 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 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]

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