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Agenda Item

8-A.1

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Application of ISAs to Other Historical Financial Information
Supplement to Agenda Item 8-A

Purpose

1. This paper contains information from a paper that was prepared by IAASB Staff in November 2005 for the December 2005 IAASB Executive Session.¹ The information is relevant to Agenda Item 8-A, *Special Reports – Summary of Significant Comments on Proposed ISA 701, “The Independent Auditor’s Report on Other Historical Financial Information” and the Task Force’s Recommendations*. It relates to the application of ISAs to other historical financial information.

How Do Current Documents Deal with this Issue?

2. Appendix 1 lists each ISA in the 2005 Handbook plus more recent documents, and displays:
 - (a) Whether its scope paragraph (usually paragraph 1) specifies that it applies:
 - (i) To financial statement audits;
 - (ii) To financial statement audits but acknowledges that it applies to other engagement;
 - (iii) More broadly than financial statement audits; or
 - (iv) Is silent in this respect.
 - (b) Whether the wording of the text of the ISA:
 - (i) Assumes application to financial statements by using “financial statements” in black lettered sentences;
 - (ii) Assumes application to financial statements by using “financial statements” in grey but not black lettered sentences; or
 - (iii) Uses language that does not assume application to financial statements.

¹ Due to time constraints, the paper was not discussed at that meeting.

- (c) Whether the Effective Date paragraph links applicability to financial statements.
3. As can be seen from Appendix 1, all ISAs in the 2005 Handbook issued before “effective dates” were stipulated, either state that they apply to financial statement audits, or are silent on their application but assume a financial statement audit by virtue of the wording used in the body of the ISA (usually the black letters). Most of the other ISAs in the 2005 Handbook also follow this path and further link their applicability to financial statements through the wording of the Effective Date paragraph (“This ISA is effective for audits of financial statements for periods beginning on or after ...”). The exceptions are:
- (a) The revised ISA 220, which applies to “audits of historical financial information, including audits of financial statements”. ISA 220 was developed at the same time as ISQC 1, which applies to all assurance engagements and to related services.
- (b) Reporting ISAs:
- The date a report is issued is the important date for application of reporting ISAs. Therefore, the Effective Date paragraphs of reporting ISAs do not refer to financial statements, but say “This ISA is effective for auditor's reports dated on or after ...”
 - While the previous ISA 700 applied to all financial statement audits, ISA 700R applies only to audits of “a complete set of general purpose financial statements prepared in accordance with a financial reporting framework that is designed to achieve fair presentation.” ISA 800 (and new ISA 701) is designed to pick up reporting on whatever historical financial information is not covered by ISA 700.

Reporting ISAs are a special case, and are not considered further in this paper.

4. Of the more recent ISAs/EDs/drafts (other than reporting ISAs), two have taken a different approach:
- (a) ISA 230 (Documentation) approved in September 2005, is silent in its introductory paragraphs about its application, and does not use words in the body of the ISA that assume its application to financial statements. Its Effective Date paragraph says: “This ISA is effective for audits of financial *information* for periods beginning on or after...”
- (b) The version of ISA 260 drafted for the December IAASB meeting states in paragraph 1 that it applies: “in relation to an audit of historical financial information where those charged with governance have a responsibility to oversee the preparation and presentation of that information.”

Appendix 1

Summary of How ISAs Apply to Financial Statements and Other historical Financial Information

	Scope paragraph specifies that the ISA applies:				Wording of text:			Effective Date paragraph refers to financial statements
	To financial statement audits	To f/s audits but says it also applies it to other engagements	More broadly than f/s audits	Not stated	Assumes application to f/s in the black letter	Assumes application to f/s in the grey letters	Does not assume application to f/s	
ISAs issued before effective dates stipulated								
210	✓ ²					✓		–
220				✓		✓		–
230	✓					✓		–
250	✓				✓			–
402				✓		✓		–
510	✓				✓			–
520				✓	✓			–
540	✓					✓		–
550				✓	✓			–
560				✓	✓			–
580				✓	✓			–
600	✓				✓			–
610-	✓				✓			–
620				✓	✓			–
720	✓				✓			–
<i>ISAs issued after effective dates stipulated</i>								
200	✓				✓			✓
220R			✓ ³				✓	X ⁴
240	✓				✓			✓
260	✓				✓			✓
300	✓					✓		✓

2 This ISA is intended to assist the auditor in the preparation of engagement letters relating to audits of financial statements. ~~The guidance is also applicable to related services. When other services such as tax, accounting, or management advisory services are to be provided, separate letters may be appropriate.~~ (2nd and 3rd sentences deleted by revised ISA 700)

3 The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on specific responsibilities of firm personnel regarding quality control procedures for audits of historical financial information, including audits of financial statements.

4 This ISA is effective for audits of historical financial information for periods beginning on or after...

	Scope paragraph specifies that the ISA applies:				Wording of text:			Effective Date paragraph refers to financial statements
	To financial statement audits	To f/s audits but says it also applies it to other engagements	More broadly than f/s audits	Not stated	Assumes application to f/s in the black letter	Assumes application to f/s in the grey letters	Does not assume application to f/s	
315	✓				✓			✓
320				✓	✓			✓
330	✓				✓			✓
500	✓					✓		✓
501	✓				✓			✓
505				✓		✓		✓
530				✓			✓	✓
545	✓				✓			✓
570	✓				✓			✓
700		✓ ⁵			✓			✓
700R		Complete GPFS ✓ ⁶			✓			X ⁷
701		✓ ⁸			✓			X ⁹
710	✓				✓			✓
800			✓ ¹⁰				✓	X ¹¹

5 The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on the form and content of the auditor's report issued as a result of an audit performed by an independent auditor of the financial statements of an entity. Much of the guidance provided can be adapted to auditor's reports on financial information other than financial statements.

6 The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on the independent auditor's 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 that is designed to achieve fair presentation. ... ISA 800, "The Independent Auditor's Report on Special Purpose Audit Engagements" establishes standards and provides guidance on the form and content of the auditor's report issued as a result of an audit of [other historical financial information]"

7 This ISA is effective for auditor's reports dated on or after ...

8 The illustrative reports in this ISA are based on the auditor's report on general purpose financial statements for a business enterprise. The principles relating to the circumstances when the auditor's report needs to be modified are, however, also applicable to reports on other engagements related to the audit of historical financial information, such as general purpose financial statements for entities of a different nature (for example, a not-for-profit organization) and the audit engagements described in ISA 800 the illustrative reports would be adapted as appropriate in the circumstances.

9 This ISA is effective for auditor's reports dated on or after ...

10 The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance in connection with special purpose audit engagements including ...

11 This ISA is effective for auditor's reports dated on or after...

	Scope paragraph specifies that the ISA applies:				Wording of text:			Effective Date paragraph refers to financial statements
	To financial statement audits	To f/s audits but says it also applies it to other engagements	More broadly than f/s audits	Not stated	Assumes application to f/s in the black letter	Assumes application to f/s in the grey letters	Does not assume application to f/s	
ISAs issued after the 2005 handbook								
230				✓			✓	X ¹²
EDs not converted to final ISAs								
260	✓				✓			✓
320		✓ ¹³			✓			✓
540				✓	✓			✓
600	✓ ¹⁴				✓			✓
701			✓ ¹⁵				✓	X ¹⁶
705/6	✓	✓ ¹⁷	✓		✓			X ¹⁸
<i>Pre-clarity draft on the December 2005 agenda</i>								
260			✓ ¹⁹		✓			✓
320	✓				✓			✓

12 This ISA is effective for audits of financial information for periods beginning on or after ...

13 The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on materiality and how it is used in the identification and evaluation of misstatements when performing an audit of financial statements. The standards and guidance in the ISA are to be adapted for audits of historical financial information other than financial statements.

14 The standards and guidance in this ISA, adapted as necessary in the circumstances, also apply where other auditors are involved in the audit of the financial statements of a single entity.

15 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”).

16 This ISA is effective for auditor’s reports dated on or after ...

17 ISA 705.01 states “This International Standard on Auditing (ISA) establishes standards and provides guidance on ... to the auditor’s opinion on the financial statements ...”. ISA 705.04 states, however, that “The standards and guidance in this ISA are to be applied in ... an audit of a complete set of general purpose financial statements or a special purpose audit engagement.” It also states: “the illustrative reports in this ISA (see Appendix) are based on the form and content of the auditor’s report on a complete set of general purpose financial statements.” (ISA 706 has similar wording)

18 This ISA is effective for auditors’ reports dated on or after ...

19 The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on the auditor’s communication with those charged with governance in relation to an audit of historical financial information where those charged with governance have a responsibility to oversee the preparation and presentation of that information.

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	Scope paragraph specifies that the ISA applies:				Wording of text:			Effective Date paragraph refers to financial statements
	To financial statement audits	To f/s audits but says it also applies it to other engagements	More broadly than f/s audits	Not stated	Assumes application to f/s in the black letter	Assumes application to f/s in the grey letters	Does not assume application to f/s	
550	✓				✓			✓