

INTERNATIONAL STANDARD ON AUDITING 800

THE INDEPENDENT AUDITOR'S REPORT ON SPECIAL PURPOSE AUDIT ENGAGEMENTS

(Effective for auditors' reports dated on or after December 31, 2006)*

CONTENTS

	Paragraph
Introduction	1-2
General Considerations	3-8
Reports on Financial Statements Prepared in Accordance with an Other Comprehensive Basis of Accounting	9-11
Reports on a Component of Financial Statements	12-16
Reports on Compliance with Contractual Agreements	17-19
Reports on Summarized Financial Statements	20-24
Effective Date	25
Appendix 1: Examples of Reports on Financial Statements Prepared in Accordance with a Comprehensive Basis of Accounting Other than International Accounting Standards or National Standards	
Appendix 2: Examples of Reports on Components of Financial Statements	
Appendix 3: Examples of Reports on Compliance	
Appendix 4: Examples of Reports on Summarized Financial Statements	

International Standard on Auditing (ISA) 800, "The Auditor's Report on Special Purpose Audit Engagements" should be read in the context of the "Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services," which sets out the application and authority of ISAs.

* ISA 700, "The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements" gave rise to conforming amendments to ISA 800. These amendments are effective for auditor's reports dated on or after December 31, 2006 and have been incorporated in the text of ISA 800.

Introduction

1. The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance in connection with special purpose audit engagements including:
 - A complete set of financial statements prepared in accordance with a an other comprehensive basis of accounting;
 - A component of a complete set of general purpose or special purpose financial statements, such as a single financial statement, specified accounts, elements of accounts, or items in a financial statement;
 - Compliance with contractual agreements; and
 - Summarized financial statements.

This ISA does not apply to review, agreed-upon procedures or compilation engagements.

2. **The auditor should review and assess the conclusions drawn from the audit evidence obtained during the special purpose audit engagement as the basis for an expression of opinion. The report should contain a clear written expression of opinion.**

General Considerations

3. The nature, timing and extent of work to be performed in a special purpose audit engagement will vary with the circumstances. **Before undertaking a special purpose audit engagement, the auditor should ensure there is agreement with the client as to the exact nature of the engagement and the form and content of the report to be issued.**
4. In planning the audit work, the auditor will need a clear understanding of the purpose for which the information being reported on is to be used, and who is likely to use it. To avoid the possibility of the auditor's report being used for purposes for which it was not intended, the auditor may wish to indicate in the report the purpose for which the report is prepared and any restrictions on its distribution and use.
5. **The auditor's report on a special purpose audit engagement, except for a report on summarized financial statements, should include the following basic elements, ordinarily in the following layout:**
 - (a) **Title;**¹

¹ It may be appropriate to use the term "Independent Auditor" in the title to distinguish the auditor's report from reports that might be issued by others, such as officers of the entity, or from the reports of other auditors who may not have to abide by the same ethical requirements as the independent auditor.



THE INDEPENDENT AUDITOR'S REPORT ON
SPECIAL PURPOSE AUDIT ENGAGEMENTS

- (b) **Addressee;**
- (c) **Opening or introductory paragraph, including:**
 - (i) **Identification of the financial information audited; and**
 - (ii) **A statement of the responsibility of the entity's management and the responsibility of the auditor;**
- (d) **A scope paragraph (describing the nature of an audit), including:**
 - (i) **The reference to the ISAs applicable to special purpose audit engagements or relevant national standards or practices; and**
 - (ii) **A description of the work the auditor performed;**
- (e) **Opinion paragraph containing an expression of opinion on the financial information;**
- (f) **Date of the report;**
- (g) **Auditor's address; and**
- (h) **Auditor's signature.**

A measure of uniformity in the form and content of the auditor's report is desirable because it helps to promote the reader's understanding.

6. In the case of financial information to be supplied by an entity to government authorities, trustees, insurers and other entities there may be a prescribed format for the auditor's report. Such prescribed reports 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, may require an opinion on matters outside the scope of the audit or may omit essential wording. **When requested to report in a prescribed format, the auditor should consider the substance and wording of the prescribed report and, when necessary, should make appropriate changes to conform to the requirements of this ISA, either by rewording the form or by attaching a separate report.**
7. When the information on which the auditor has been requested to report is based on the provisions of an agreement, the auditor needs to consider whether any significant interpretations of the agreement have been made by management in preparing the information. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the financial information.
8. **The auditor should consider whether any significant interpretations of an agreement on which the financial information is based are clearly disclosed in the financial information.** The auditor may wish to make reference in the auditor's report on the special purpose audit engagement to the note within the financial information that describes such interpretations.

Reports on Financial Statements Prepared in Accordance with an Other Comprehensive Basis of Accounting

9. A comprehensive basis of accounting comprises a set of criteria used in preparing financial statements which applies to all material items and which has substantial support. As discussed in ISA 200, “Objective and General Principles Governing an Audit of Financial Statements,” financial statements that are not prepared to meet the common information needs of a wide range of users may be prepared to meet the financial information needs of specific users. The information needs of such users will determine the applicable financial reporting framework in such circumstances (which is referred to in this ISA as “an other comprehensive basis of accounting”). Financial statements prepared in accordance with such financial reporting frameworks may be the only financial statements prepared by an entity and, in such circumstances, are often used by users in addition to those for whom the financial reporting framework is designed. Despite the broad distribution of the financial statements in those circumstances, the financial statements are still considered to be designed to meet the financial information needs of specific users for purposes of the ISAs. In addition, although specific users may not be identified, financial statements that are prepared in accordance with a framework that is not designed to achieve fair presentation are also considered to be prepared in accordance with an other comprehensive basis of accounting. Examples of financial reporting frameworks that are designed to address the needs of specific users include the following:
- The tax basis of accounting for a set of financial statements that accompany an entity’s tax return.
 - The cash receipts and disbursements basis of accounting for cash flow information that a business enterprise may be requested to prepare by creditors.
 - The financial reporting provisions of a government regulatory agency for a set of financial statements prepared for regulatory purposes.
10. **The auditor’s report on financial statements prepared in accordance with an other comprehensive basis of accounting should include a statement that indicates the basis of accounting used or should refer to the note to the financial statements giving that information. The opinion should state whether the financial statements are prepared, in all material respects, in accordance with the identified basis of accounting.** The terms used to express the auditor’s opinion are “give a true and fair view” or “present fairly, in all material respects,” which are equivalent terms. Appendix 1 to this ISA gives examples of auditors’ reports on financial statements prepared in accordance with an other comprehensive basis of accounting.
11. The auditor would consider whether the title of, or a note to, the financial statements makes it clear to the reader that such statements are not prepared in



accordance with International Financial Reporting Standards or generally accepted accounting principles promulgated by a recognized standards setting organization. For example, a tax basis financial statement might be entitled "Statement of Income and Expenses—Income Tax Basis." **If the financial statements prepared on an other comprehensive basis of accounting are not suitably titled or the basis of accounting is not adequately disclosed, the auditor should issue an appropriately modified report.**

Reports on a Component of Financial Statements

12. The auditor may be requested to express an opinion on one or more components of financial statements, for example, a single financial statement such as a balance sheet, accounts receivable, inventory, an employee's bonus calculation or a provision for income taxes. The component might be prepared to meet the financial information needs of specific users and have limited distribution, or may be intended to meet the information needs of a wide range of users and, therefore, prepared in accordance with the relevant requirements of an applicable financial reporting framework. This type of engagement may be undertaken as a separate engagement or in conjunction with an audit of the entity's financial statements (see Other Reporting Responsibilities in ISA 700, "The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements"). However, this type of engagement does not result in a report on the financial statements taken as a whole and, accordingly, the auditor would express an opinion only as to whether the component audited is prepared, in all material respects, in accordance with the identified basis of accounting.
13. Many financial statement items are interrelated, for example, sales and receivables, and inventory and payables. Accordingly, when reporting on a component of financial statements, the auditor will sometimes be unable to consider the subject of the audit in isolation and will need to examine certain other financial information. **In determining the scope of the engagement, the auditor should consider those financial statement items that are interrelated and which could materially affect the information on which the audit opinion is to be expressed.**
14. **The auditor should consider the concept of materiality in relation to the component of financial statements being reported upon.** For example, a particular account balance provides a smaller base against which to measure materiality compared with the financial statements taken as a whole. Consequently, the auditor's examination will ordinarily be more extensive than if the same component were to be audited in connection with a report on the entire financial statements.
15. **The auditor's report on a component of financial statements should include a statement that indicates the applicable financial reporting framework in accordance with which the component is presented or refers to an agreement that specifies the basis of accounting used. The opinion should**

state whether the component is prepared, in all material respects, in accordance with the applicable financial reporting framework or identified basis of accounting. Appendix 2 to this ISA gives examples of auditors' reports on components of financial statements.

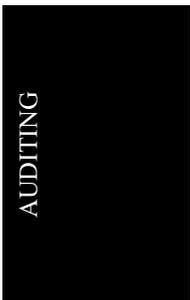
16. **When an adverse opinion or disclaimer of opinion on the entire financial statements has been expressed, the auditor should report on components of the financial statements only if those components are not so extensive as to constitute a major portion of the financial statements.** To do otherwise may overshadow the report on the entire financial statements.

Reports on Compliance with Contractual Agreements

17. The auditor may be requested to report on an entity's compliance with certain aspects of contractual agreements, such as bond indentures or loan agreements. Such agreements ordinarily require the entity to comply with a variety of covenants involving such matters as payments of interest, maintenance of predetermined financial ratios, restriction of dividend payments and the use of the proceeds of sales of property.
18. **Engagements to express an opinion as to an entity's compliance with contractual agreements should be undertaken only when the overall aspects of compliance relate to accounting and financial matters within the scope of the auditor's professional competence.** However, when there are particular matters forming part of the engagement that are outside the auditor's expertise, the auditor would consider using the work of an expert.
19. **The report should state whether, in the auditor's opinion, the entity has complied with the particular provisions of the agreement.** Appendix 3 to this ISA gives examples of auditors' reports on compliance given in a separate report and in a report accompanying financial statements.

Reports on Summarized Financial Statements

20. An entity may prepare financial statements summarizing its annual audited financial statements for the purpose of informing user groups interested in the highlights only of the entity's financial position and the results of its operations. **Unless the auditor has expressed an audit opinion on the financial statements from which the summarized financial statements were derived, the auditor should not report on summarized financial statements.**
21. Summarized financial statements are presented in considerably less detail than annual audited financial statements. Therefore, such financial statements need to clearly indicate the summarized nature of the information and caution the reader that, for a better understanding of an entity's financial position and the results of its operations, summarized financial statements are to be read in conjunction



THE INDEPENDENT AUDITOR'S REPORT ON
SPECIAL PURPOSE AUDIT ENGAGEMENTS

with the entity's most recent audited financial statements which include all disclosures required by the relevant financial reporting framework.

22. Summarized financial statements need to be appropriately titled to identify the audited financial statements from which they have been derived, for example, "Summarized Financial Information Prepared from the Audited Financial Statements for the Year Ended December 31, 19X1."
23. Summarized financial statements do not contain all the information required by the financial reporting framework used for the annual audited financial statements. Consequently, wording such as "true and fair" or "present fairly, in all material respects," is not used by the auditor when expressing an opinion on summarized financial statements.
24. **The auditor's report on summarized financial statements should include the following basic elements ordinarily in the following layout:**
 - (a) **Title;²**
 - (b) **Addressee;**
 - (c) **An identification of the audited financial statements from which the summarized financial statements were derived;**
 - (d) **A reference to the date of the audit report on the unabridged financial statements and the type of opinion given in that report;**
 - (e) **An opinion as to whether the information in the summarized financial statements is consistent with the audited financial statements from which it was derived. When the auditor has issued a modified opinion on the unabridged financial statements yet is satisfied with the presentation of the summarized financial statements, the auditor's report should state that, although consistent with the unabridged financial statements, the summarized financial statements were derived from financial statements on which a modified auditor's report was issued;**
 - (f) **A statement, or reference to the note within the summarized financial statements, which indicates that for a better understanding of an entity's financial performance and position and of the scope of the audit performed, the summarized financial statements should be read in conjunction with the unabridged financial statements and the auditor's report thereon;**
 - (g) **Date of the report;**
 - (h) **Auditor's address; and**

² See footnote 1.

(i) **Auditor's signature.**

Appendix 4 to this ISA gives examples of auditors' reports on summarized financial statements.

Effective Date

25. This ISA is effective for auditors' reports dated on or after December 31, 2006.

Public Sector Perspective

1. *Some of the engagements considered "special purpose audit engagements" in the private sector are not special purpose in the public sector. For example, reports on financial statements prepared in accordance with a comprehensive basis of accounting other than IASs or national standards are ordinarily the norm, not the exception in the public sector. This has to be noted and guidance provided to the auditor on his or her responsibility to assess whether the accounting policies will result in misleading information.*
2. *A factor that also has to be considered is that public sector auditors' reports are ordinarily public documents and therefore, it is not possible to restrict the report to specific users.*

Appendix 1

Examples of Reports on Financial Statements Prepared in Accordance with a Comprehensive Basis of Accounting Other than International Accounting Standards or National Standards

A Statement of Cash Receipts and Disbursements

AUDITOR'S REPORT TO

We have audited the accompanying statement of ABC Company's cash receipts and disbursements for the year ended December 31, 19X1.³ This statement is the responsibility of ABC Company's management. Our responsibility is to express an opinion on the accompanying statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing (or refer to relevant national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Company's policy is to prepare the accompanying statement on the cash receipts and disbursements basis. On this basis revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred.

In our opinion, the accompanying statement gives a true and fair view of (or presents fairly, in all material respects) the revenue collected and expenses paid by the Company during the year ended December 31, 19X1 in accordance with the cash receipts and disbursements basis as described in Note X.

AUDITOR

Date
Address

³ Provide suitable identification, such as by reference to page numbers or by identifying the individual statement.

THE INDEPENDENT AUDITOR'S REPORT ON
SPECIAL PURPOSE AUDIT ENGAGEMENTS

Financial Statements Prepared on the Entity's Income Tax Basis

AUDITOR'S REPORT TO

We have audited the accompanying income tax basis financial statements of ABC Company for the year ended December 31, 19X1.⁴ These statements are the responsibility of ABC Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing (or refer to relevant national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of (or present fairly, in all material respects) the financial position of the Company as of December 31, 19X1 and its revenues and expenses for the year then ended, in accordance with the basis of accounting used for income tax purposes as described in Note X.

AUDITOR

Date
Address



⁴ See footnote 3.

Appendix 2

Example of Reports on Components of Financial Statements

Schedule of Accounts Receivable

AUDITOR'S REPORT TO

We have audited the accompanying schedule of accounts receivable of ABC Company for the year ended December 31, 19X1.⁵ This schedule is the responsibility of ABC Company's management. 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 (or refer to relevant national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of accounts receivable gives a true and fair view of (or presents fairly, in all material respects) the accounts receivable of the Company as of December 31, 19X1 in accordance with ...⁶

AUDITOR

Date
Address

⁵ See footnote 3.

⁶ Indicate the relevant national standards or refer to International Accounting Standards, the terms of an agreement or any described basis of accounting.

Schedule of Profit Participation

AUDITOR'S REPORT TO

We have audited the accompanying schedule of DEF's profit participation for the year ended December 31, 19X1.⁷ This schedule is the responsibility of ABC Company's management. 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 (or refer to relevant national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of profit participation gives a true and fair view of (or presents fairly, in all material respects) DEF's participation in the profits of the Company for the year ended December 31, 19X1 in accordance with the provisions of the employment agreement between DEF and the Company dated June 1, 19X0.

AUDITOR

Date
Address



⁷ See footnote 3.

Appendix 3

Examples of Reports on Compliance

Separate Report

AUDITOR'S REPORT TO

We have audited ABC Company's compliance with the accounting and financial reporting matters of sections XX to XX inclusive of the Indenture dated May 15, 19X1 with DEF Bank.

We conducted our audit in accordance with International Standards on Auditing applicable to compliance auditing (or refer to relevant national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether ABC Company has complied with the relevant sections of the Indenture. An audit includes examining appropriate evidence on a test basis. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Company was, in all material respects, in compliance with the accounting and financial reporting matters of the sections of the Indenture referred to in the preceding paragraphs as of December 31, 19X1.

AUDITOR

Date
Address

Report Accompanying Financial Statements

AUDITOR'S REPORT TO

We have audited the accompanying balance sheet of the ABC Company as of December 31, 19X1, and the income statement and statement of changes in equity and cash flow statement for the year then ended (the reference can be by page numbers). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have also audited ABC Company's compliance with the accounting and financial reporting matters of sections XX to XX inclusive of the Indenture dated May 15, 19X1 with DEF Bank.

We conducted our audits in accordance with International Standards on Auditing (or refer to relevant national standards or practices) applicable to the audit of financial statements and to compliance auditing. Those Standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether ABC Company has complied with the relevant sections of the Indenture. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion:

- (a) The financial statements give a true and fair view of (or present fairly, in all material respects) the financial position of the Company as of December 31, 19X1, and of its financial performance and its cash flows for the year then ended in accordance with ... (and comply with ...); and
- (b) The Company was, in all material respects, in compliance with the accounting and financial reporting matters of the sections of the Indenture referred to in the preceding paragraphs as of December 31, 19X1.

AUDITOR

Date
Address



Appendix 4

Examples of Reports on Summarized Financial Statements

When an Unqualified Opinion was Expressed on the Annual Audited Financial Statements

AUDITOR'S REPORT TO

We have audited the financial statements of ABC Company for the year ended December 31, 19X0, from which the summarized financial statements⁸ were derived, in accordance with International Standards on Auditing (or refer to relevant national standards or practices). In our report dated March 10, 19X1 we expressed an unqualified opinion on the financial statements from which the summarized financial statements were derived.

In our opinion, the accompanying summarized financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the period and of the scope of our audit, the summarized financial statements should be read in conjunction with the financial statements from which the summarized financial statements were derived and our audit report thereon.

AUDITOR

Date
Address

⁸ See footnote 3.

When a Qualified Opinion was Expressed on the Annual Audited Financial Statements

AUDITOR'S REPORT TO

We have audited the financial statements of ABC Company for the year ended December 31, 19X0, from which the summarized financial statements⁹ were derived, in accordance with International Standards on Auditing (or refer to relevant national standards or practices). In our report dated March 10, 19X1 we expressed an opinion that the financial statements from which the summarized financial statements were derived gave a true and fair view of (or presented fairly, in all material respects) ... except that inventory had been overstated by

In our opinion, the accompanying summarized financial statements are consistent, in all material respects, with the financial statements from which they were derived and on which we expressed a qualified opinion.

For a better understanding of the Company's financial position and the results of its operations for the period and of the scope of our audit, the summarized financial statements should be read in conjunction with the financial statements from which the summarized financial statements were derived and our audit report thereon.

AUDITOR

Date
Address



⁹ See footnote 3.