

INTOSAI



*Directriz de
auditoría financiera
– Consideraciones
especiales –
Auditorías de estados
financieros con
objetivos especiales y
elementos, cuentas o
partidas específicos
de unos estados
financieros*

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Nota de Práctica¹ para la Norma Internacional de Auditoría [*International Standard on Auditing (ISA)*] 800 (revisada) – Consideraciones especiales – Auditorías de estados financieros con objetivos especiales y elementos, cuentas o partidas específicas de unos estados financieros²

Fundamentos

Esta Nota de Práctica proporciona orientaciones suplementarias a los auditores del sector público sobre la Norma Internacional de Auditoría (ISA) 800 (revisada) “Consideraciones especiales – Auditorías de estados financieros con objetivos especiales y elementos, cuentas o partidas específicas de unos estados financieros”. Esta Nota de Práctica se lee junto con la ISA correspondientes. La Nota de Práctica entra en vigor en la misma fecha que la ISA.

Descripción de la ISA

La ISA 800 (revisada) incluye consideraciones adicionales para una auditoría de estados financieros con objetivos especiales.

La (propuesta) ISA 200 (revisada y con nueva redacción), es el “Objetivo global del auditor independiente, y la realización de una auditoría de conformidad con las Normas Internacionales de Auditoría,” y estipula que las ISA se redactan en el contexto de los estados financieros, y que deberán adaptarse en la forma necesaria a unas circunstancias específicas cuando se apliquen a auditorías con otras informaciones históricas financieras. La ISA 800 (revisada) también contiene consideraciones adicionales para la auditoría de un elemento, una cuenta o una partida específica de los estados financieros.

La ISA800 (revisada) se aprobó en octubre de 2006 como base para preparar la ISA 800 (revisada y con nueva redacción). La ISA 800 (revisada y con nueva redacción) no entrará en vigor antes del 15 de diciembre de 2008.

¹ Todas las Notas de Práctica se leen junto con las Consideraciones Generales en las Directrices sobre Auditoría Financiera.

² Esta Nota de Práctica se inspira en el Documento propuesto de la ISA 800 (revisada), que fue aprobado por el *International Auditing and Assurance Standards Board (IAASB)* en octubre como base para preparar la ISA 800 (revisada y con nueva redacción). Será actualizada cuando el IAASB apruebe y publique la versión final de la ISA 800 (revisada y con nueva redacción.).

Contenido de la Nota de Práctica

- P1. La Nota de Práctica sigue a los encabezamientos de la ISA y proporciona guías adicionales para los auditores del sector público en relación con las siguientes áreas:
- a. Consideraciones globales
 - b. Auditorías de estados financieros con objetivos especiales
 - c. Consideraciones para determinar la aceptabilidad del marco aplicable para la información financiera
 - d. Formación de una opinión y consideraciones sobre la información
 - e. Descripción del marco aplicable de información financiera
 - f. Restricciones sobre la distribución o la utilización
 - g. Auditorías de elementos, cuentas o partidas específicas de estados financieros

Aplicabilidad de la ISA en la auditoría del sector público

- P2. La ISA 800 (revisada) es aplicable a los auditores de las entidades del sector público en su función de auditores de los estados financieros con objetivos especiales.

Orientaciones adicionales sobre áreas del sector público

Consideraciones globales

- P3. Los objetivos de una auditoría de estados financieros del sector público no suelen limitarse a la mera expresión de una opinión sobre si los estados financieros con objetivos especiales han sido preparados, en todos los aspectos importantes, de conformidad con el marco aplicable de información financiera (es decir, el ámbito de las ISA). El mandato de auditoría, o las obligaciones de las entidades del sector público, que se originan en la legislación, la reglamentación, las directrices ministeriales, los requisitos de la política gubernamental o las disposiciones del poder legislativo pueden originar objetivos adicionales. Estos objetivos adicionales pueden incluir responsabilidades de auditoría e información, por ejemplo, acerca de si el auditor ha encontrado incumplimientos de mandatos, incluyendo el presupuesto y la rendición de cuentas, y/o la información sobre la eficacia del control interno. Los compromisos de información acerca de estados financieros con objetivos especiales también pueden incluir dichos objetivos adicionales. Incluso cuando no existan dichos objetivos adicionales, el público en general puede tener expectativas de que los auditores del sector público informen sobre incumplimientos de mandatos o la eficacia del control interno. Por consiguiente, los auditores del sector público tienen en cuenta dichas expectativas, y están alertas a las áreas que pueden originar incumplimientos de mandatos o ineficacia del control interno, cuando se lleva a cabo la auditoría de estados financieros con objetivos especiales.

Auditorías de estados financieros con objetivos especiales

- P4. Tal como se afirma en el párrafo 5 de la ISA 800 (revisada) los “estados financieros con objetivos especiales” son estados financieros preparados de acuerdo con un marco de información financiero diseñado para satisfacer las necesidades de información financiera de usuarios específicos (“marco de objetivos especiales”).
- P5. Además de preparar estados financieros con objetivos generales, una entidad del sector público puede preparar estados financieros para otros destinatarios (tales como órganos cuerpos fiscalizadores gubernamentales, el poder legislativo u otras partes que lleven a cabo una función de supervisión) y que puedan requerir estados financieros adaptados para satisfacer sus necesidades específicas de información. En algunos ambientes esos estados financieros son los únicos estados financieros preparados por la entidad del sector público. Basado en el párrafo 8 de la ISA 800 (revisada), en el caso de que dichos estados financieros sean los únicos estados financieros preparados por la entidad del sector público, se consideran como estados financieros con objetivos especiales. Los auditores del sector público, por consiguiente, examinan con cuidado si el marco de información financiero ha sido diseñado para satisfacer las necesidades de información financiera de una amplia gama de usuarios (“marco de objetivos generales”) o las necesidades de información financiera de usuarios específicos.

Consideraciones para determinar la aceptabilidad del marco aplicable de información financiera

- P6. El párrafo 6 de la ISA 800 (revisada) explica que un entendimiento de los pasos seguidos por la dirección para determinar que el marco de información financiera es apropiado en unas circunstancias determinadas sirve de ayuda al auditor para determinar la aceptabilidad de dicho marco. En el sector público, sin embargo, el marco de información financiera puede haber sido prescrito por ley o reglamentación. En consecuencia, determinar dicho marco puede estar fuera del alcance de la dirección.
- P7. El párrafo 9 de la ISA 800 (revisada) afirma que, cuando la legislación o una reglamentación establece el marco de información financiera a ser utilizado por la dirección para preparar y presentar los estados financieros con objetivos especiales dicho marco es aceptable en ausencia de indicaciones que indiquen lo contrario.
- P8. El párrafo 7 de la ISA 800 (revisada) provee ejemplos de marcos de objetivos especiales. Otros ejemplos pueden incluir las disposiciones sobre información financiera acerca de una subvención o un programa específico del sector público.

Formación de una opinión y consideraciones sobre la información

- P9. En el sector público la legislación que rige el mandato de auditoría puede especificar el formato o redacción utilizado en el informe del auditor. Cuando los auditores del sector público preparan un informe de auditoría utilizando el diseño o la redacción especificados en dicha legislación, el informe de los auditores puede referirse a que la auditoría se lleva a cabo de conformidad con las ISA, y con la legislación que rige el mandato de auditoría, sólo si el informe de auditoría incluye, como mínimo, todos los elementos especificados

en el párrafo 65 (a)-(i) de la ISA 700, “El informe del auditor independiente sobre estados financieros con objetivos generales.” Como se discute en el párrafo 66 de la ISA 700, cuando la legislación que rige el mandato de auditoría no entra en conflicto con las ISA, los auditores del sector público adoptan el diseño y el vocabulario utilizados en las ISA, de modo que los usuarios puedan reconocer con más rapidez que el informe de los auditores es sobre una auditoría llevada a cabo de conformidad con las ISA.

- P10. El informe de los auditores sobre los estados financieros con objetivos especiales puede reflejar una responsabilidad de información adicional a la responsabilidad de informar si los estados financieros con objetivos especiales han sido preparados de acuerdo con el marco de información financiera aplicable. En tal caso, el informe de los auditores describe los requisitos de cualquier legislación relevante o del mandato de auditoría. Esa descripción se incluye en una sección separada del informe de auditoría, como se estipula en el párrafo 46, y que se ilustra en el Apéndice 1 de la ISA 700. Dicha sección se titula “Informe sobre otros requisitos legales y reglamentarios”. Si la legislación pertinente o el mandato de auditoría especifica el formato o el vocabulario que deberá utilizarse en esta sección, los auditores del sector público utilizan el vocabulario prescrito.

Descripción del marco aplicable de información financiera

- P11. Cuando la dirección puede optar entre diversos marcos de información financiera, el párrafo 17 de la ISA 800 (revisada) estipula que la referencia al marco de información financiera aplicable en la declaración de responsabilidad con respecto a los estados financieros con objetivos especiales se expanda con objeto de incluir la responsabilidad de determinar que el marco aplicable de información financiera es aceptable dentro de las circunstancias del compromiso. Como se expuso en el anterior párrafo 9, resulta improbable que, en el sector público, la dirección tenga esa opción. De todos modos, los auditores del sector público determinan si se expande la declaración de responsabilidad de la dirección en los estados financieros con objetivos especiales para hacer referencia al origen que determina qué marco de información financiera es aplicable.

Restricción sobre la distribución o utilización

- P12. El párrafo 19 de la ISA 800 (revisada) requiere que el informe de auditoría incluya una declaración indicando que los estados financieros están preparados en conformidad con un marco de objetivos especiales y que, como consecuencia, los estados financieros y el correspondiente informe de auditoría pueden no ser adecuados para utilizarse con otro propósito. El párrafo 21 de la ISA 800 (revisada) indica que el auditor también puede tomar en consideración la inclusión de una declaración en el informe de auditoría indicando que el informe está dirigido exclusivamente a los destinatarios especificados, y que no debe distribuirse ni ser utilizado por quienes no sean los usuarios previstos.
- P13. En el sector público la declaración a la que se hace referencia en el párrafo 21 de la ISA 800 (revisada) puede no ser una opción disponible, ya que el informe de los auditores suele ser un documento público. Sin embargo, para evitar la confusión entre los usuarios de los informes de auditorías, los auditores del sector público incluyen en su informe la declaración según la cual los estados financieros han sido preparados y presentados de

conformidad con un marco de objetivos especiales y que, en consecuencia, los estados financieros y el correspondiente informe de los auditores pueden no ser adecuados para otro propósito.

Auditorías de elementos, cuentas o partidas específicos de unos estados financieros (denominados colectivamente “Elementos”)

- P14. Cuando los auditores del sector público están comprometidos a informar sobre un elemento en conjunto a una auditoría de los estados financieros de la entidad, ellos determinan si la legislación pertinente o el mandato de auditoría pueden prescribir vocabulario para la opinión de el informe de los auditores difiere significativamente del que aparece en el párrafo 31 de la ISA 800 (revisada). Los párrafos 25 y 26 de la 210 “Términos de los compromisos de auditoría” trata sobre las consideraciones por parte de los auditores acerca de que si existe el riesgo de que los usuarios puedan malinterpretar la garantía obtenida en la auditoría de los estados financieros con objetivos especiales.
- P15. El párrafo 34 de la ISA 800 (revisada) requiere que el auditor tome en consideración si hay que modificar el informe de auditoría acerca de un elemento de modo similar al informe del auditor sobre los estados financieros de la entidad. Los auditores del sector público también consideran si es preciso modificar el informe de los auditores acerca de un elemento basándose en las opiniones modificadas del informe de auditoría sobre los estados financieros de la entidad que se relacionen con un objetivo adicional (véase el anterior párrafo 3). Aunque esa opinión modificada no esté relacionada con el elemento auditado, los auditores del sector público toman en consideración, no obstante, la opción de incluir una referencia a la opinión modificada en el informe de auditoría sobre el elemento. Entre los factores que pueden influir en la consideración de los auditores del sector público se incluyen los requisitos de la legislación pertinente o del mandato de auditoría, otras disposiciones específicas acerca del compromiso, y si la omisión de dicha referencia al elemento en el informe de auditoría puede inducir a confusión.

**Close Off Document: ISA 800
(Revised), Special
Considerations—Audits of
Special Purpose Financial
Statements and Specific
Elements, Accounts or Items of a
Financial Statement, and related
Conforming Amendments**

*Approved by the International Auditing and Assurance
Standards Board as the Basis for Preparing Proposed
ISA 800 (Revised and Redrafted)*



**International Federation
of Accountants**

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The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC), approved the close off document of International Standard on Auditing (ISA) 800 (Revised), “Special Considerations—Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement” **as the basis for preparing proposed ISA 800 (Revised and Redrafted).**

The objective of the IAASB is to serve the public interest by setting high-quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The mission of IFAC is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession’s expertise is most relevant.

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INTERNATIONAL STANDARD ON AUDITING 800

(REVISED)**SPECIAL CONSIDERATIONS—AUDITS OF SPECIAL PURPOSE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT****CONTENTS**

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Introduction

1. This International Standard on Auditing (ISA) contains additional considerations in an audit of special purpose financial statements. See paragraphs 5-21.
2. As explained in ISA 200, “Objective and General Principles Governing an Audit of Financial Statements,” the ISAs are written in the context of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This ISA also contains additional considerations in an audit of a specific element, account or item of a financial statement.¹ See paragraphs 22-36. Examples of specific elements, accounts or items of a financial statement are listed in the Appendix 1.
3. This ISA does not override any of the standards of the other ISAs; nor does it purport to contain all the additional considerations that may be relevant in the circumstances of the engagement.
4. This ISA does not apply to the report of another auditor issued as a result of work performed on the financial information of a component at the request of a group auditor for purposes of the audit of the group financial statements (see [proposed] ISA 600, “The Audit of Group Financial Statements”).

Audits of Special Purpose Financial Statements

5. “Special purpose financial statements” are financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specific users (“special purpose framework”). Reference to “financial statements” in this ISA should be read as “special purpose financial statements,” and can be to a complete set of financial statements or a single financial statement. The requirements of the applicable financial reporting framework determine the form and content of the financial statements and what constitutes a complete set of financial statements.

Considerations when Determining the Acceptability of the Applicable Financial Reporting Framework

6. ISA 210, “Terms of Audit Engagements” contains standards and guidance for agreeing, and determining the acceptability of, the applicable financial reporting framework. In the case of special purpose financial statements, the financial information needs of the intended users are a key factor in determining the acceptability of the applicable financial reporting framework. An understanding of the following assists the auditor in determining the acceptability of the financial reporting framework: (a) the purpose for which the financial statements are prepared, (b) the intended users, and (c) the steps taken by management to determine that the financial reporting framework is appropriate in the circumstances. In the case of financial statements prepared in accordance with the provisions of a contract, it is also important to have an

¹ References to “specific elements, accounts or items of a financial statement” should be read as including any related explanatory notes.

understanding of any significant interpretations of the contract that have been made by management in preparing the financial information.²

7. Examples of special purpose frameworks are:
 - A 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 an entity may be requested to prepare for creditors;
 - The financial reporting provisions established by a regulator to meet the requirements of that regulator; or
 - The financial reporting provisions of a contract, such as a bond indenture or a loan agreement.
8. Financial statements prepared and presented in accordance with a special purpose framework 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 special purpose financial statements for purposes of the ISAs. Paragraphs 19 and 20 describe reporting considerations when these circumstances occur.
9. Where the applicable financial reporting framework encompasses the financial reporting standards established by an organization that is authorized or recognized to promulgate standards for special purpose financial statements, those standards will be presumed to be acceptable for that purpose, provided the organization follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in preparing and presenting special purpose financial statements for certain types of entities, for example, the financial reporting provisions established by a regulator to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed to be acceptable for special purpose financial statements prepared and presented by such entities.
10. Where the financial reporting standards referred to in paragraph 9 are supplemented by legislative or regulatory requirements, the auditor determines whether any conflicts between the financial reporting standards and the additional requirements exist. If such conflicts exist, the auditor follows the procedures in ISA 210.
11. Where the applicable financial reporting framework encompasses the financial reporting provisions of a contract, or sources other than those described in paragraphs 9 and 10, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether it exhibits attributes normally exhibited by acceptable financial reporting frameworks (see ISA 210, Appendix 2). In the case of a special purpose framework, the relative importance of each of these attributes to a particular engagement is a matter of professional judgment. For example,

² An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the financial statements.

for 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 financial information that is not neutral, but it may nevertheless be acceptable in the circumstances of the engagement.

12. There may be circumstances where a special purpose framework is based on, but does not comply with all the requirements of an established financial reporting framework; for example, a contract that requires financial statements to be prepared in accordance with most, but not all, of the Financial Reporting Standards of Country X. When this is acceptable in the circumstances of the engagement, it is inappropriate for the description of the applicable financial reporting framework in the financial statements to imply full compliance with the established financial reporting standards. In the example of the contract above, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract.

Considerations when Planning and Performing the Audit

13. ISA 200 requires the auditor to comply with (a) relevant ethical requirements relating to an audit engagement, and (b) all ISAs relevant to the audit. In the case of those ISAs relevant to the audit, the auditor is required to comply with the requirements of each of the ISAs in all cases where the requirements are relevant in the circumstances of the audit, unless, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement by performing alternative audit procedures to achieve the aim of that requirement. These requirements of ISA 200 apply to an audit of special purpose financial statements. However, application of some of the requirements of the ISAs may require special consideration by the auditor. For example, in ISA 320 (Revised), “Materiality in Planning and Performing an Audit,” judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. In the case of an audit of special purpose financial statements, however, those judgments are based on a consideration of the financial information needs of the specific users.
14. In the case of special purpose financial statements prepared for a specific purpose, management may agree with the intended users a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. Although such threshold may represent the financial information needs of the intended users for the purposes of any adjustments that may arise, it may not reflect the amount that the auditor determines as a materiality level for the purposes of the engagement in accordance with ISA 320 (Revised).
15. Communication with those charged with governance in accordance with the ISAs is based on the relationship between those charged with governance and the financial statements subject to audit, in particular whether those charged with governance have a responsibility to oversee the preparation and presentation of those financial statements. In the case of special purpose financial statements prepared for a specific purpose, those charged with governance may not have such a responsibility; for example, when the financial statements are prepared solely for management’s use, or when the party engaging the auditor is not the entity responsible for the financial statements. In these cases, the requirements of ISA 260 (Revised), “Communication with Those Charged with Governance” may not be relevant to the audit of the special purpose financial

statements prepared for a specific purpose, except when the auditor is also responsible for the audit of the entity's general purpose financial statements or, for example, has agreed with those charged with governance of the entity to communicate to them relevant matters identified during the audit of the special purpose financial statements prepared for a specific purpose.

Forming an Opinion and Reporting Considerations

16. **When forming an opinion on and reporting on special purpose financial statements, the auditor should apply the standards and guidance in ISA 700 (Revised), "The Independent Auditor's Report on General Purpose Financial Statements."** Additional elements of the auditor's report on special purpose financial statements are set out in paragraphs 17-21 of this ISA. Appendix 2 of this ISA contains illustrations of auditors' reports on special purpose financial statements (see Illustrations 1-3).

Description of the Applicable Financial Reporting Framework

17. **When management has a choice of financial reporting frameworks, the reference to the applicable financial reporting framework in the statement of management's responsibility for the financial statements should be expanded to include the responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances of the engagement.**
18. **The reference to the applicable financial reporting framework in the statement of management's responsibility for the financial statements should make clear the purpose for which the financial statements are prepared and, if necessary, the intended users, or refer to a note in the financial statements that contains that information.**

Restriction on Distribution or Use

19. **The auditor's report should include a statement that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements and related auditor's report may not be suitable for another purpose.** The statement is included in a separate paragraph following the auditor's opinion.
20. The financial statements and related auditor's report may be read for purposes other than those for which they were intended. For example, certain entities may be required by a regulator to place the financial statements and related auditor's report on public record. To avoid misunderstandings, the auditor alerts readers of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose.
21. The auditor may also consider including a statement in the auditor's report that it is intended solely for the intended users and should not be distributed to or used by parties other than the intended users.

Audits of Specific Elements, Accounts or Items of a Financial Statement

Considerations when Accepting the Engagement

22. As explained in paragraph 13 of this ISA, ISA 200 requires the auditor to comply with (a) relevant ethical requirements relating to an audit engagement, and (b) all ISAs relevant to the audit. In the case of those ISAs relevant to the audit, the auditor is required to comply with the requirements of each of the ISAs in all cases where the requirements are relevant in the circumstances of the audit, unless, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement by performing alternative audit procedures to achieve the aim of that requirement. These requirements of ISA 200 also apply to an audit of a specific element, account or item of a financial statement (referred to as “element” in paragraphs 23-36), irrespective of whether the auditor is also engaged to audit the entity’s financial statements.
23. The relevance of each of the ISAs requires careful consideration. Although an element is the subject of the audit, ISAs such as ISA 240, “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements,” ISA 550, “Related Parties” and ISA 570, “Going Concern” are in principle each relevant, since the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern assumption under the applicable financial reporting framework.
24. As the ISAs are written in the context of financial statements, all the relevant ISAs are also to be adapted as necessary in the circumstances when applied to audits of an element. For example, in obtaining written representations from management, representations about the financial statements as a whole might be replaced by representations about the presentation of the element in accordance with the applicable financial reporting framework.
25. Furthermore, compliance with relevant requirements may not be practicable when the auditor is not also engaged to audit the entity’s financial statements. In such cases, the auditor ordinarily does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity’s financial statements. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity’s financial statements. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In some cases, certain ISAs require audit work that may be disproportionate to the element being audited. For example, although the requirements of ISA 570 are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, it may not be practicable to comply with those requirements, because of the audit effort required.
26. When an audit in accordance with ISAs is not practicable, the auditor discusses with management whether another type of engagement may be more practicable.

Considerations when Planning and Performing the Audit

27. When the audit of the element is conducted in conjunction with the audit of the entity’s financial statements, the auditor may be able to use audit evidence obtained as part of the audit of the entity’s financial statements in the audit of the element. It is important,

however, that the auditor plans and performs the audit of the element to obtain sufficient appropriate audit evidence to reduce audit risk for that element to an acceptably low level.

28. Many financial statement items are interrelated, and are presented with related explanatory notes. Accordingly, when auditing an element, the auditor may not be able to consider the element in isolation. Consequently, the auditor may need to perform additional procedures to meet the objective of an audit.
29. Furthermore, the materiality level determined for the element may be lower than the materiality level or levels determined for the entity's financial statements; this will affect the nature, timing and extent of the audit procedures.
30. In the case of an audit of an element, the auditor also considers whether, in view of the specific requirements of the applicable financial reporting framework, the presentation of the element provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the element.

Reporting Considerations

31. Unless otherwise required by law or regulation, in accordance with ISA 200 in conjunction with ISA 700 (Revised), the opinion paragraph of the auditor's report on an element states that the element gives a true and fair view or presents fairly, in all material respects, in accordance with the applicable financial reporting framework when that framework is a fair presentation framework. In all other cases, the auditor's opinion states that the element is prepared, in all material respects, in accordance with the applicable financial reporting framework. Appendix 2 of this ISA contains an illustration of an auditor's report on a specific account (see Illustration 4).
32. **When the auditor undertakes an engagement to report on an element in conjunction with an audit of the entity's financial statements, the auditor should express a separate opinion for each of the engagements.**
33. When the entity intends to publish an audited element together with its audited financial statements, the entity's presentation of the audited element should differentiate it sufficiently from the audited financial statements. The opinion on the element should also be sufficiently differentiated from the opinion on the financial statements. If the auditor concludes that the differentiation is insufficient, the auditor asks management to rectify the situation. The auditor does not issue the auditor's report on the element until satisfied with the differentiation.
34. **When a modified auditor's report has been issued on an entity's financial statements, the auditor should consider the effect that this may have on the auditor's report on an element.**
35. When a modified opinion on the entity's financial statements or an Emphasis of Matter paragraph relates to the audited element, the auditor considers whether to modify the auditor's report on the element in a similar manner. When a modified opinion on the entity's financial statements or an Emphasis of Matter paragraph does not relate to the audited element, the auditor considers whether it may be necessary to refer to the modified opinion or Emphasis of Matter in an Other Matter(s) paragraph in the

auditor's report on the element (see ISA 706 (Revised), "Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report").

36. In accordance with ISA 705 (Revised), "Modifications to the Opinion in the Independent Auditor's Report," if the auditor has expressed an adverse opinion or disclaimed an opinion on the entity's financial statements as a whole, the auditor is not permitted to express an unmodified opinion on an element of those financial statements in the same auditor's report and with respect to the same applicable financial reporting framework. However, where the opinion on the element is expressed in a separate auditor's report, the auditor may be able to express an unmodified opinion on it, provided that the matters to be reported on and the related scope of the audit were not intended to, and did not, encompass so many elements as to constitute a major portion of those financial statements.

Appendix 1

Examples of Specific Elements, Accounts or Items of a Financial Statement

- 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, including related explanatory notes.
- A schedule of externally managed assets and income of a private pension plan, including related explanatory notes.
- A schedule of net tangible assets, including related explanatory notes.
- A schedule of disbursements in relation to a lease property, including related explanatory notes.
- A schedule of profit participation or employee bonuses, including related explanatory notes.

Appendix 2

Illustrations of Auditors' Reports on Special Purpose Financial Statements

- Illustration 1: An auditor's report on a complete set of financial statements prepared in accordance with financial reporting provisions of a contract.
- Illustration 2: An auditor's report on a complete set of financial statements prepared in accordance with a financial reporting framework for special purpose financial statements, but which is not a fair presentation framework.
- Illustration 3: An auditor's report on a single financial statement prepared in accordance with a fair presentation framework for special purpose financial statements.
- Illustration 4: An auditor's report on a specific element, account or item of a financial statement prepared in accordance with a financial reporting framework for special purpose financial statements, but which is not a fair presentation framework.

Illustration 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 financial reporting provisions of a contract (i.e., a financial reporting framework designed to meet the financial information needs of specific users, but which is not a fair presentation framework) to comply with the provisions of that contract (i.e., a specific purpose). Management does not have a choice of financial reporting frameworks.**

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 provisions of section Z of the contract between ABC Company and DEF Company ("the contract"). 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 Company for the year ended December 31, 20X1 have been prepared, in all material respects, in accordance with the financial reporting provisions of section Z of the contract.

Other Matter – Restriction on Use *[and Distribution]*

As indicated above, the financial statements have been prepared in accordance with the financial reporting provisions of section Z of the contract to assist ABC Company to comply with the provisions of the contract. The financial statements and related auditor’s report 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]

Illustration 2:

Circumstances include the following:

- **Audit of a complete set of financial statements.**
- **The financial statements have been prepared by the management of a partnership in accordance with the tax basis of accounting in Country X (i.e., a financial reporting framework designed to meet the financial information of specific users, but which is not a fair presentation framework) to assist the partners in preparing their individual income tax returns (i.e., a specific purpose). Management does not have a choice of financial reporting frameworks.**

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 in Country X. They have been prepared to assist the partners of ABC Partnership in preparing their individual income tax returns. Management's responsibility includes: designing, implementing and maintaining internal controls 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 partnership'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 partnership'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 prepared, in all material respects, in accordance with [describe the applicable income tax law] of Country X.

Other Matter – Restriction on Use *[and Distribution]*

As indicated above, the financial statements have been prepared in accordance with the tax basis of accounting in Country X to assist the partners of ABC Partnership in preparing their individual income tax returns. The financial statements and related auditor's report 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]

Illustration 3:

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 (for purposes of this illustration a fair presentation financial reporting framework designed to meet the financial information needs of specific users) to respond to a request for cash flow information received from a creditor (i.e., a specific purpose). Management has a choice of financial reporting frameworks.**

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 and a summary of significant accounting policies and other explanatory notes (together 'the financial statement').

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair 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 fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates, if any, that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter – Restriction on Use *[and Distribution]*

The financial statement has been prepared 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 and related auditor’s report 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]

Illustration 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 to meet the financial information needs of specific users, but which is not a fair presentation framework) to meet the requirements of that regulator (i.e., a specific purpose). Management does not have a choice of financial reporting frameworks.**

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 (‘the schedule’).

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 the 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 prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulator].

Other Matter – Restriction on Use *[and Distribution]*

The schedule has been prepared in accordance with [describe the financial reporting provisions established by the regulator] and it and the related auditor’s report 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]



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