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CHAPTER 6 SA 800-899 SPEALIZED AREA

SA-800 SPECIAL CONSIDERATIONS- AUDIT OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORKS

OBJECTIVE OF SA 800

To address appropriately the special considerations that are relevant to:

1. The acceptance of the engagement;
2. The planning and performance of that engagement; and
3. Forming an opinion and reporting on the FS.

ACCEPTABILITY OF THE FINANCIAL REPORTING FRAMEWORK

SA 210 (Revised) requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the FS. In an audit of special purpose FS, the auditor shall obtain an understanding of:

1. The **purpose** for which the FS are prepared;
2. The **intended users**; and
3. The **steps taken by management** to determine that the applicable financial reporting **framework** is acceptable in the circumstances.

CONSIDERATIONS WHEN PLANNING AND PERFORMING THE AUDIT

1. Complied with SAs:

SA 200 (Revised) requires the auditor to comply with all SAs relevant to the audit. In planning and performing an audit of special purpose FS, the auditor shall determine whether application of the SAs requires **special consideration** in the circumstances of the engagement.

2. Accounting Policies:

- ✚ SA 315 requires the auditor to obtain an understanding of the entity's **selection and application** of accounting policies.
- ✚ In the case of FS prepared in accordance with the provisions of a contract, the auditor shall obtain an understanding of any **significant interpretations** of the contract that management made in the preparation of those FS.
- ✚ An interpretation is significant when adoption of another reasonable interpretation would have produced a **material difference** in the information presented in the FS.

FORMING AN OPINION AND REPORTING CONSIDERATIONS

1. Basic Principle:

When forming an opinion and reporting on special purpose FS, the auditor shall apply the requirements in SA 700.

2. Reporting Requirements:

1) Description of the Applicable Financial Reporting Framework:

- ✚ SA 700 (Revised) requires the auditor to **evaluate** whether the FS **adequately refer** to or describe the applicable financial reporting framework.
- ✚ In the case of FS prepared in accordance with the provisions of a contract, the auditor shall evaluate whether the FS adequately describe any significant interpretations of the contract on which the FS are based.

2) Form and content of the auditor's report:

In the case of an auditor's report on special purpose FS:

- ✚ The auditor's report shall also **describe the purpose** for which the FS are prepared and, if necessary, refer to a note in the special purpose FS that contains that information; and
- ✚ If management has a **choice of financial reporting frameworks** in the preparation of such FS, the explanation of management's responsibility for the FS shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

3. Alerting Readers that the FS Are Prepared in Accordance with a Special Purpose Framework

- ✚ The auditor's report on special purpose FS shall include an **Emphasis of Matter paragraph** alerting users of the

auditor's report that the FS are prepared in accordance with a special purpose framework and that, as a result, the FS may not be suitable for another purpose.

- ✚ The auditor shall include this paragraph under an appropriate heading.

SA-805 SPECIAL CONSIDERATIONS- AUDIT OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

OBJECTIVE OF SA 805

The objective of the auditor is to address appropriately the special considerations that are relevant to:

1. The acceptance of the engagement;
2. The planning and performance of that engagement; and
3. Forming an opinion and reporting on the single FS or on the specific element, account or item of a FS.

CONSIDERATIONS WHEN ACCEPTING THE ENGAGEMENT

1. Application of SAs:

- ✚ SA 200 (Revised) requires the auditor to **comply with all SAs** relevant to the audit.
- ✚ In the case of an audit of a **single FS or of a specific element** of a FS, this requirement applies irrespective of whether the auditor is also engaged to audit the entity's complete set of FS.
- ✚ If the auditor is not also engaged to audit the entity's complete set of FS, the auditor shall determine whether the audit of a single FS or of a specific element of those FS in accordance with SAs is practicable.

2. Acceptability of the Financial Reporting Framework:

- ✚ SA 210 (Revised) requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the FS.
- ✚ In the case of an audit of a single FS or of a specific element of a FS, this shall include whether application of the financial reporting framework will **result** in a presentation that provides **adequate disclosures** to enable the intended users to understand the information conveyed in the FS or the element, and the **effect of material transactions** and events on the information conveyed in the FS or the element.

3. Form of Opinion

- ✚ SA 210 (Revised) requires that the agreed terms of the audit engagement include the **expected form** of any reports to be issued by the auditor.
- ✚ In the case of an audit of a single FS or of a specific element of a FS, the auditor shall consider whether the **expected form of opinion is appropriate** in the circumstances.

CONSIDERATIONS WHEN PLANNING AND PERFORMING THE AUDIT

SA 200 (Revised) states that SAs are written in the context of an audit of FS; they are to be adapted as necessary in the circumstances when applied to audits of other historical financial information.

FORMING AN OPINION AND REPORTING CONSIDERATIONS

1. Basic Principle:

When forming an opinion and reporting on a single FS or on a specific element of a FS, the auditor shall **apply** the requirements in **SA 700**, adapted as necessary in the circumstances of the engagement.

2. Reporting on the Entity's Complete Set of FS and on a Single FS or on a Specific Element of Those FS:

a) Separate Opinion:

If the auditor undertakes an engagement to report on a single FS or on a specific element of a FS in conjunction with an engagement to audit the entity's complete set of FS, the auditor shall **express a separate opinion** for each engagement.

b) Differentiation:

- ✚ An audited single FS or an audited specific element of a FS may be **published** together with the entity's audited complete set of FS.
- ✚ If the auditor concludes that the presentation of the single FS or of the specific element of a FS does **not differentiate it sufficiently** from the complete set of FS, the auditor shall **ask management to rectify** the situation.
- ✚ The auditor shall also differentiate the opinion on the single FS or on the specific element of a FS from the opinion on the complete set of FS. The auditor shall **not issue the auditor's report** containing the opinion on the single FS or on the specific element of a FS **until satisfied** with the **differentiation**.

3. Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Entity's Complete Set of FS

Situation	Auditors' Duties
If the opinion in the auditor's report on an entity's complete set of FS is modified, or that report includes an Emphasis of Matter paragraph or an Other Matter paragraph	- The auditor shall determine the effect that this may have on the auditor's report on a single FS or on a specific element of those FS. - When deemed appropriate, the auditor shall modify the opinion on the single FS or on the specific element of a FS, or include an Emphasis of Matter paragraph or an Other Matter paragraph in the auditor's report, accordingly.
If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's complete set of FS as a whole	- SA 705 does not permit the auditor to include in the same auditor's report an unmodified opinion on a single FS that forms part of those FS or on a specific element that forms part of those FS. - This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity's complete set of FS as a whole.
Adverse opinion or disclaim an opinion on the entity's complete set of FS as a whole but unmodified opinion separate audit of a specific element	If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's complete set of FS as a whole but, in the context of a separate audit of a specific element that is included in those FS, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, he shall only do so if: - The auditor is not prohibited by law or regulation from doing so; - That opinion is expressed in an auditor's report that is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion; and - Specific element does not constitute a major portion of entity's complete set of FS.
Adverse opinion or disclaim an opinion on the entity's complete set of FS as a whole	- The auditor shall not express an unmodified opinion on a single FS of a complete set of FS if the auditor has expressed an adverse opinion or disclaimed an opinion on the complete set of FS as a whole. - This is the case even if the auditor's report on the single FS is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion. This is because a single FS is deemed to constitute a major portion of those FS.

SA-810 ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS

OBJECTIVE OF SA 805

The objectives of the auditor are to:

- Determine whether it is appropriate to accept the engagement to report on summary FS;
- Form an opinion on the summary FS based on an evaluation of the conclusions drawn from the evidence obtained; and
- Express clearly that opinion through a written report that also describes the basis for that opinion.

ENGAGEMENT ACCEPTANCE

1. Basic Principle:

The auditor shall, ordinarily, accept an engagement to report on summary FS in accordance with this SA only when the auditor has been engaged to conduct an audit in accordance with SAs of the FS from which the summary FS are derived.

2. Preliminary Aspects:

Before accepting an engagement to report on summary FS, the auditor shall:

- a) Determine whether the **applied criteria** are acceptable;
- b) Obtain the **agreement of management** that it acknowledges and understands its responsibility:
 - ✚ For the **preparation of the summary FS** in accordance with the applied criteria;
 - ✚ To make the **audited FS available to the intended users** of the summary FS without undue difficulty; and
 - ✚ To **include the auditor's report** on the summary FS in any document that contains the summary FS and that indicates that the auditor has reported on them.
- c) **Agree** with management the **form of opinion** to be expressed on the summary FS.

3. Effect Unacceptable Criteria or Management Agreement not obtained:

- ✚ If the auditor concludes that the **applied criteria** are **unacceptable** or is **unable to obtain** the **agreement** of management, he shall not accept the engagement to report on the summary FS, unless required by law or regulation to do so.
- ✚ The auditor shall include appropriate **reference** to this fact in the terms of the engagement.
- ✚ The auditor shall also **determine** the effect that this may have on the engagement to audit the FS from which the summary FS are derived.

NATURE OF PROCEDURES

The auditor shall perform the **following procedures**, and any other procedures that the auditor may consider necessary, as the basis for the auditor's opinion on the summary FS:

1. **Evaluate** whether the summary FS adequately **disclose** their summarized nature and identify the audited FS.
2. When summary FS are **not accompanied by the audited FS**, **evaluate** whether they describe clearly:
 - ✚ From whom or where the audited FS are available; or
 - ✚ The law or regulation that specifies that the audited FS need not be made available to the intended users of the summary FS and establishes the criteria for the preparation of the summary FS.
3. **Evaluate** whether the summary FS adequately **disclose** the applied criteria.
4. **Compare** the summary FS with the information in the audited FS to determine whether the summary FS agree with information in the audited FS.
5. **Evaluate** whether the summary FS are prepared in accordance with the **applied criteria**.
6. **Evaluate**, in view of the purpose of the summary FS, whether the summary FS **contain the information necessary**, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
7. **Evaluate** whether the audited FS are **available to the intended users** of the summary FS without undue difficulty, unless law or regulation provides that they need not be made available and establishes the criteria for the preparation of the summary FS.

FORM OF OPINION

1. Phrasing of Unmodified Opinion as per SA:

When the auditor has concluded that an **unmodified opinion** on the summary FS is appropriate, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following **phrases**:

- ✚ The summary FS are **consistent**, in all respects, with the audited FS; or
- ✚ The summary FS are a **fair summary** of the audited FS.

2. Phrasing of Unmodified Opinion as per Law or Regulation:

If law or **regulation prescribes** the **wording of the opinion** on summary FS in terms that are **different** from those described in paragraph, the auditor shall:

- ✚ Apply the procedures described in paragraph & any **further procedures** necessary to enable the auditor to express the prescribed opinion; and
- ✚ **Evaluate** whether users of the summary FS might misunderstand the auditor's opinion on the summary FS and, if so, whether **additional explanation** in the auditor's report on the summary FS can mitigate possible misunderstanding.

TIMING OF WORK AND EVENTS SUBSEQUENT TO THE DATE OF THE AUDITOR'S REPORT ON THE AUDITED FS

1. The auditor's report on the summary FS may be **dated later than the date of the auditor's report** on the audited FS. In such cases, the auditor's report on the summary FS shall state that the summary FS and audited FS **do not reflect the effects of events** that occurred subsequent to the date of the auditor's report on the audited FS that may require adjustment of, or disclosure in, the audited FS.
2. The auditor may become **aware of facts that existed at the date of the auditor's report** on the audited FS, but of

which the auditor previously was unaware. In such cases, the auditor shall not issue the auditor’s report on the summary FS until the auditor’s consideration of such facts in relation to the audited FS in accordance with SA 560 (Revised) has been completed.

ELEMENTS OF THE AUDITOR’S REPORT ON SUMMARY FS

The auditor’s report on summary FS shall include the following elements:

1. A **title** clearly indicating it as the report of an independent auditor.
2. An **addressee**.
3. An **introductory paragraph** that:
 - ✚ **Identifies the summary FS** on which the auditor is reporting, including the title of each statement included in the summary FS;
 - ✚ **Identifies the audited FS**;
 - ✚ **Refers to the auditor’s report** on the audited FS, the date of that report, and, subject to paragraphs 17-18, the fact that an unmodified opinion is expressed on the audited FS;
 - ✚ If the **date** of the auditor’s report on the summary FS is **later** than the date of the auditor’s report on the audited FS, states that the summary FS and the audited FS do not the audited FS; and
 - ✚ A **statement** indicating that the summary FS **do not contain all the disclosures** required by the financial reporting framework applied in the preparation of the audited FS, and that reading the summary FS is not a substitute for reading the audited FS.
4. A **description of management’s responsibility** for the summary FS, explaining that management is responsible for the preparation of the summary FS in accordance with the applied criteria.
5. A **statement that the auditor is responsible for expressing an opinion** on the summary FS based on the procedures required by this SA.
6. A paragraph clearly expressing an **opinion**.
7. The **auditor’s signature** along with the firm registration number, wherever applicable, and the membership number assigned by ICAI.
8. The **date** of the auditor’s report.
9. The **place** of signature.

If the **addressee** of the summary FS is **not the same** as the addressee of the auditor’s report on the audited FS, the auditor shall **evaluate** the appropriateness of using a different addressee.

MODIFICATIONS TO THE OPINION, EMPHASIS OF MATTER PARAGRAPH OR OTHER MATTER PARAGRAPH IN THE AUDITOR’S REPORT ON THE AUDITED FS

Situation	Treatment: In addition to the elements in Para 14
When the auditor’s report on the audited FS contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter paragraph, but the auditor is satisfied that the summary FS are consistent , in all material respects, with or are a fair summary of the audited FS, in accordance with the applied criteria	The auditor’s report on the summary FS shall: 1. State that the auditor’s report on the audited FS contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter paragraph; and 2. Describe: ✚ The basis for the qualified opinion on the audited FS, and that qualified opinion; or the Emphasis of Matter or the Other Matter paragraph in the auditor’s report on the audited FS; ✚ The effect thereof on the summary FS, if any.
When the auditor’s report on the audited FS contains an adverse opinion or a disclaimer of opinion	The auditor’s report on the summary FS shall: 1. State that the auditor’s report on the audited FS contains an adverse opinion or disclaimer of opinion; 2. Describe the basis for that adverse opinion or disclaimer of opinion; and 3. State that, as a result of the adverse opinion or disclaimer of opinion, it is inappropriate to express an opinion on the summary FS.

MODIFIED OPINION ON THE SUMMARY FS

If the summary FS are **not consistent, in all material respects, with or are not a fair summary** of the audited FS, in accordance with the applied criteria, and management does not agree to make the necessary changes, the auditor shall **express an adverse opinion** on the summary FS.

Notes: Restriction On Distribution Or Use Or Alerting Readers To The Basis Of Accounting - When distribution or use of the auditor's report on the audited FS is restricted, or the auditor's report on the audited FS alerts readers that the audited FS are prepared in accordance with a special purpose framework, the auditor shall **include a similar restriction or alert** in the auditor's report on the summary FS.

COMPARATIVES

1. Omission of Comparatives:

If the audited FS contain comparatives, but the summary FS do not, the auditor shall determine whether such **omission is reasonable** in the circumstances of the engagement. The auditor shall **determine the effect** of an unreasonable omission on the auditor's report on the summary FS.

2. Another Auditor:

If the summary FS contain comparatives that were reported on by **another auditor**, the auditor's report on the summary FS shall also contain the matters that **SA 710 (Revised)** requires the auditor to include in the auditor's report on the audited FS.

UNAUDITED SUPPLEMENTARY INFORMATION PRESENTED WITH SUMMARY FS

- The auditor shall **evaluate** whether any unaudited supplementary information presented with the summary FS is **clearly differentiated** from the summary FS.
- If the auditor concludes that the entity's presentation of the unaudited supplementary information is not clearly differentiated from the summary FS, the auditor shall **ask management to change the presentation** of the unaudited supplementary information.
- If management **refuses** to do so, the auditor shall **explain** in the auditor's report on the summary FS that such information is **not covered** by that report.

OTHER INFORMATION IN DOCUMENTS CONTAINING SUMMARY FS

- The auditor shall **read** other information included in a document containing the summary FS and related auditor's report to identify material inconsistencies, if any, with the summary FS.
- If, on reading the other information, the auditor identifies a **material inconsistency**, the auditor shall determine whether the summary FS or the other information needs to be **revised**.
- If, on reading the other information, the auditor becomes aware of an apparent material misstatement of fact, the auditor shall **discuss the matter with management**.

AUDITOR ASSOCIATION

Situation	Auditors' Duties
Management does not include Auditors' Report in the document containing Summary FSs.	✚ If the auditor becomes aware that the entity plans to state that the auditor has reported on summary FS in a document containing the summary FS, but does not plan to include the related auditor's report, the auditor shall request management to include the auditor's report in the document. ✚ If management does not do so, the auditor shall determine and carryout other appropriate actions designed to prevent management from inappropriately associating the auditor with the summary FS in that document.
auditor not engaged to report on the summary FSs at all	1. The auditor may be engaged to report on the FS of an entity, while not engaged to report on the summary FS. If, in this case, the auditor becomes aware that the entity plans to make a statement in a document that refers to the auditor and the fact that summary FS are derived from the FS audited by the auditor, the auditor shall be satisfied that: ✚ The reference to auditor is made in the context of auditor's report on audited

	FS; and ✚ The statement does not give impression that auditor has reported on the summary FS. 2. If (a) or (b) are not met, the auditor shall request management to change the statement to meet them, or not to refer to the auditor in the document. Alternatively, the entity may engage the auditor to report on the summary FS and include the related auditor's report in the document. 3. If management does not change the statement, delete the reference to the auditor, or include an auditor's report on the summary FS in the document containing the summary FS, the auditor shall advise management that the auditor disagrees with the reference to the auditor, and the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately referring to the auditor.
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