



SA 800 – Special Considerations – Audit of FS Prepared as per Special Purpose Framework

<ul style="list-style-type: none"> • General Purpose Framework is designed to meet common financial info needs of wide users • Special Purpose Framework is designed to meet financial info needs of specific users <p>Eg of Special purpose framework</p> <ul style="list-style-type: none"> • Cash receipts & disbursements basis of A/cing for creditors • FR provision established by regulator • FR provisions of a contract 	<p>When Accepting Engagement - Acceptability of FRF</p> <ul style="list-style-type: none"> • Financial info needs of users is key factor • FRF established by authorised org is presumed acceptable if org follows established & transparent process • FRF prescribed by L&R is presumed acceptable in absence of indication to contrary • FRF as per provisions of contract is acceptable if it exhibits attributes normally exhibited by Acceptable FRF
<p>When Planning & Performing Audit</p> <p>SA 200 requires auditor to comply with -</p> <ul style="list-style-type: none"> • Relevant ethical requirements, including independence & • All SAs relevant to audit. If particular SA or requirement not applicable, perform alternative procedures (Same for 805 & 810) <p>SA 260 - requires auditor to determine appropriate person with whom to communicate. Those responsible for oversight of preparation of Special Purpose FS may not be same as TCWG responsible for oversight of preparation of General Purpose FS</p> <p>SA 320 - Mgt may agree with users on threshold below which misstatements identified will not be corrected. Existence of such threshold does not relieve auditor to determine materiality as per SA 320</p>	<p>Description of AFRF</p> <ul style="list-style-type: none"> • Auditor's Report shall describe purpose of preparing FS & intended users or refer to note in FS that contain that info • If Mgt has choice of multiple FRFs, explain Mgt's responsibility to determine that AFRF is acceptable <p>Alerting Readers that FS Are Prepared as per Special Purpose Framework</p> <ul style="list-style-type: none"> • Special Purpose FS may be used for purposes other than those for which they were intended • To avoid misunderstandings, auditor alerts users of report through EOM Para that FS are prepared as per Special Purpose framework & therefore, may not be suitable for another purpose
<p>Restriction on Distribution or Use (As extension of Alert para)</p> <p>Auditor indicates that report is intended solely for specific users. Depending on L&R, this is achieved by restricting distribution or use of report</p>	
<p>Include OM Para, if auditor has also audited FS of same entity prepared using General Purpose Framework</p>	

- Single FS (SFS) or Specific Element of FS (SEFS) may be prepared as per **General or Special Purpose** Framework (SA 800)
- **SA 805 does not apply** to component auditor's report on financial **info of component** at **request of group engagement team** for audit of Group FS
- **SFS** is to be distinguished from complete set of FS. Eg. CFS. **SEFS** Eg Cash, Trade Receivable
- SFS or SEFS **includes notes** of summary of **significant A/cing policies** & other info

When Accepting Such Engagement

1. Application of SAs

- SA 200 requires auditor to comply with all SAs relevant to audit. If **auditor** is **not** also engaged to **audit complete set of FS**, auditor shall **determine whether audit** of SFS or of SEFS **as per SAs is practicable**
- **Compliance with SAs** in audit of SFS or of SEFS may **not** be **practicable** when auditor is **not** also engaged to **audit complete set of FS**, because -
 - Auditor does **not** have same **understanding of entity** & its IC
 - He also does **not** have **evidence** about **general quality** of A/cing records or info
 - He may **need further evidence** to corroborate (support) evidence from A/cing records
 - In case of audit of SEFS, audit **work** may be **disproportionate to SEFS** being audited
 - If auditor concludes that **audit** of SFS or of SEFS **as per SAs** may **not** be **practicable**, auditor may **discuss with Mgt** whether **another type of engagement** might be more practicable

2. Acceptability of FRF

- Whether **FRF** will provide **adequate disclosures** to users to **understand info** conveyed in FS or SEFS & **effect** of material **transactions** & events
- **FRF** established by **authorised standards setting org** for preparation of **complete set** of FS is **acceptable** if it includes **all requirements of General purpose** framework that are relevant to SFS or of SEFS

When planning & performing Audit

- **Audit Evidence** - When auditing SFS or SEFS along with complete set of FS, **auditor** may be able to **use evidence** obtained **from audit of complete set** of FS in audit of FS or SEFS. However, **SAs require** auditor to **obtain SAAE** on SFS or SEFS
- **Inter-Relation** - When auditing SFS or SEFS, **auditor** may **not** be able to **consider them in isolation** & may need to perform **procedures** for **interrelated items**
- **Materiality** - determined **for SFS** or for SEFS may be **lower than** for **complete set** of FS; This will affect NTE of procedures & evaluation of uncorrected misstatements

Form of Opinion

AFRF may **not** explicitly provide **presentation** of SFS or of SEFS, when **based on FRF established by authorised org** for preparation of **complete set** of FS. Therefore, Auditor considers if expected form of opinion is appropriate as per AFRF

Factors affecting whether to use phrases "**presents fairly**, in all material respects", or "**gives true & fair view**" in auditor's **opinion** include -

- Whether **AFRF** is explicitly or implicitly **restricted to preparation of complete set** of FS
- Whether **SFS or SEFS** will -
 - **Comply fully** with requirements of **framework** for SFS or SEFS
 - If necessary to achieve **fair presentation**, provide **disclosures beyond** those specifically **required by framework** or, in exceptional circumstances, **depart from** requirement of **framework**

Auditor's decision as to **expected form of opinion** is matter of **professional judgment**

Forming Opinion & Reporting Considerations

- If **auditor** of SFS or SEFS **is same** as auditor of complete set of FS, auditor shall **express separate opinion** for each engagement
- Audited SFS or SEFS may be **published together with** complete set of FS. If **presentation** of SFS or of SEFS does **not differentiate** it sufficiently from complete set of FS, auditor shall **ask Mgt to rectify** situation. Auditor shall **not issue** auditor's **report** containing opinion on SFS or on SEFS **until satisfied** with differentiation
- If **opinion on complete set** of FS is **qualified**, or includes **EOM or OM** para, if appropriate, auditor shall **qualify opinion on SFS or on SEFS**, or include EOM or OM para
- If **opinion on complete set** of FS is **adverse or disclaimer**, SA 705 does **not** permit auditor to include an **unmodified opinion on SFS or on SEFS** as such unmodified opinion would contradict adverse or disclaimer of opinion on complete set of FS

- If **opinion on complete set** of FS is **adverse or disclaimer**, but due to separate audit of **SEFS**, auditor considers it **appropriate to express unmodified** opinion, he shall do so **ONLY** if -
 - **Not prohibited** by L&R
 - That **opinion** is expressed in **report** which is **not published together** with report **containing adverse or disclaimer** of opinion **AND**
 - **SEFS** does **not** constitute **major portion** of complete set of FS

Above exception is **not for SFS** as it is **deemed** to **constitute major portion** of complete set of FS

- Even when **modified** opinion or **EOM or OM** para on **complete set** of FS does **not relate to SFS or SEFS**, auditor **may refer** to modification in **OM para** in report on SFS or on SEFS if relevant to **users' understanding**
- In report on **complete set** of FS, **disclaimer** of opinion for **results of operations & cash flows** & **unmodified** opinion for **state of affairs** is **permitted** since disclaimer of opinion is issued for results of operations & cash flows only & not for FS as a whole

- SA 810 is for **report on SUMFS** derived from **FS audited** as per SAs by that **SAME auditor**
- SUMFS reflects info derived from FS, but **contains less detail than FS** providing structured representation consistent with FS

<p>Engagement Acceptance</p> <p>Auditor shall accept engagement ONLY when he is engaged to conduct audit of FS as if this not the case, he will not have necessary knowledge to discharge his responsibilities for SUMFS as per this SA</p> <p>Before accepting engagement, auditor shall</p> <ol style="list-style-type: none"> Determine whether applied criteria (FRF) is acceptable <ul style="list-style-type: none"> • Mgt is responsible for applying criteria on SUMFS so that they are consistent with or represent fair summary of audited FS. Because SUMFS, contain aggregated info & limited disclosure, there is increased risk that they may not contain info necessary so as not to be misleading. This risk increases when criteria for preparation of SUMFS do not exist. Factors affecting auditor's determination of acceptability of applied criteria - <ul style="list-style-type: none"> ○ Nature of entity ○ Purpose of SUMFS ○ Info needs of intended users of SUMFS ○ Whether applied criteria will result in SUMFS that are not misleading • Criteria established by authorised standards setting org or L&R is presumed to be acceptable. Where established criteria do not exist, it may be developed by Mgt • If applied criteria is unacceptable or auditor is unable to obtain agreement of Mgt as discussed above, auditor shall not accept engagement, unless required by L&R. Engagement conducted as per such L&R does not comply with this SA, so such non-compliance shall be indicated in report. Auditor shall include this fact in terms of engagement • Adequate disclosure of SUMFS & identity of audited FS, may be provided by title such as "SUMFS prepared from audited FS" 	<p>Nature of Procedures to be Performed by Auditor</p> <ul style="list-style-type: none"> • Evaluate if SUMFS adequately disclose their summarised nature & identify audited FS • Evaluate whether SUMFS disclose criteria • Evaluate if SUMFS are prepared as per criteria • Evaluate if SUMFS contain info necessary so as not to be misleading • Evaluate if audited FS are available to users of SUMFS, unless L&R provides otherwise • When SUMFS are not accompanied by audited FS, evaluate if they describe - <ul style="list-style-type: none"> ○ From whom or where audited FS are available or ○ L&R that specifies that audited FS need not be made available • Compare SUMFS with info in audited FS to determine if they agree <p>Form of Opinion</p> <p>When unmodified opinion on SUMFS is appropriate, auditor's opinion shall use one of following phrases -</p> <ul style="list-style-type: none"> • SUMFS are consistent, in all material respects, with audited FS as per applied criteria or • SUMFS are fair summary of audited FS as per applied criteria <p>If L&R prescribes wording of opinion diff from above, auditor shall -</p> <ul style="list-style-type: none"> • Apply procedures discussed earlier & further procedures necessary to express prescribed opinion & • Evaluate if users of SUMFS might misunderstand opinion & if so, additional explanation can mitigate possible misunderstanding, & if cannot, he shall not accept engagement, unless required by L&R. Also report shall not indicate that engagement was conducted as per this SA
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<p>2. Obtain agreement of Mgt that it understands its responsibility</p> <ul style="list-style-type: none"> • For preparation of SUMFS as per criteria • To include report on SUMFS in doc that contains SUMFS & indicate that auditor has reported on them • To make audited FS available to intended users of SUMFS without undue difficulty (or, if L&R provides that audited FS need not be made available, to describe that L&R in SUMFS) • Factors affecting whether audited FS are available to users of SUMFS - <ul style="list-style-type: none"> ○ SUMFS describe clearly from whom or where audited FS are available ○ Audited FS are on public record or ○ Mgt has established process by which users of SUMFS can access audited FS <p>3. Agree with Mgt on form of opinion to be expressed on SUMFS</p>	<p>Restriction on Distribution or Use or Alerting Readers to Basis of A/cing</p> <p>When above paras are included in report on audited FS, auditor shall include similar restriction or alert in report on SUMFS</p> <p>Comparatives (SA 710)</p> <ul style="list-style-type: none"> • If audited FS contain comparatives, but SUMFS do not, auditor shall determine if such omission is reasonable. If unreasonable, determine its effect on report on SUMFS • If SUMFS contain comparatives that were reported by another auditor, report on SUMFS shall also contain matters that SA 710 requires auditor to include in report on audited FS
<p>Elements of Report on SUMFS</p> <ul style="list-style-type: none"> • Title indicating report of independent auditor • Addressee - If addressee of SUMFS is not same as addressee of report on audited FS, evaluate appropriateness of using diff addressee. Factors affecting such evaluation include terms of engagement, nature of entity & purpose of SUMFS • Introductory para <ul style="list-style-type: none"> ○ Identifies SUMFS, including title of each statement. If SUMFS is included in doc containing other info, auditor may identify page numbers on which SUMFS are presented ○ Identifies audited FS ○ If date of report on SUMFS is later than report on audited FS, State that SUMFS & audited FS do not reflect events occurring subsequent to date of report on audited FS ○ Refers to report on audited FS, date of report, & fact that unmodified opinion is expressed on audited FS when it does not contain modified opinion, EOM & OM para ○ Statement that SUMFS do not contain all disclosures as in audited FS & that 	<p>Modifications to Opinion, EOM or OM Para in Report on Audited FS</p> <p>When report on audited FS contains qualified opinion, EOM or OM para, but auditor is satisfied that SUMFS are consistent with audited FS, report on SUMFS shall -</p> <ul style="list-style-type: none"> • State that report on audited FS contains qualified opinion, EOM or OM para • Describe - <ul style="list-style-type: none"> ○ Basis for qualified opinion on audited FS & that qualified opinion or EOM or OM para in report on audited FS ○ Effect on SUMFS <p>When report on audited FS contains adverse or disclaimer of opinion, report on SUMFS shall, additionally -</p> <ul style="list-style-type: none"> • State that report on audited FS contains adverse or disclaimer of opinion • Describe basis for that adverse or disclaimer of opinion • State that, as result of adverse or disclaimer of opinion, it is inappropriate to express opinion on SUMFS

<p>reading SUMFS is not substitute for reading audited FS</p> <ul style="list-style-type: none"> • Description of Mgt's responsibility for SUMFS • Statement that auditor is responsible for expressing opinion on SUMFS • Para expressing opinion • Auditor's sign along with firm registration number & membership number & UDIN • Date of report - not earlier than date of obtaining SAAE, including evidence that SUMFS are prepared & those with recognised authority have taken responsibility for them • Date of report on audited FS • Place of signature 	<p>Modified Opinion on SUMFS</p> <p>If SUMFS are not consistent with audited FS & Mgt does not agree to make necessary changes, auditor shall express adverse opinion on SUMFS</p>
<p>Unaudited Supplementary Info Presented With SUMFS</p> <p>Auditor shall evaluate if it is clearly differentiated from SUMFS. If not, he shall ask Mgt to change presentation of unaudited supplementary info. If Mgt refuses, auditor shall explain in report on SUMFS that such info is not covered by report</p> <p>Other Info in Docs Containing SUMFS</p> <p>Auditor shall read other info included in doc containing SUMFS to consider if there is material inconsistency b/w other info & SUMFS. If auditor identifies material inconsistency, determine if SUMFS or other info needs to be revised. If other info needs to be revised, auditor shall discuss matter with Mgt</p> <p>Timing of Work & Events Subsequent to Report on Audited FS</p> <p>When auditor reports on SUMFS after completion of audit of FS, auditor is not required to obtain additional evidence on audited FS, or report on effects of events that occurred subsequent to date of report on audited FS</p>	<p>Auditor Association</p> <p>If entity plans to state that auditor has reported on SUMFS in doc containing SUMFS, but does not plan to include related report, auditor shall request Mgt to include report in doc. If Mgt does not do so, auditor shall carry out appropriate actions to prevent Mgt from inappropriately associating auditor with SUMFS in that doc</p> <p>Auditor may be engaged to report on FS of entity, while not engaged to report on SUMFS. If entity plans to make statement in doc referring to auditor & fact that SUMFS are derived from FS audited by auditor, auditor shall be satisfied that -</p> <ol style="list-style-type: none"> Reference to auditor is made for report on audited FS only & Statement does not give impression that auditor has reported on SUMFS <p>If (a) or (b) are not met, auditor shall request Mgt to change statement, or not to refer to auditor in doc. Alternatively, entity may engage auditor to report on SUMFS & include related report in doc. If Mgt does not change statement, delete reference to auditor, or include report on SUMFS in doc containing SUMFS, auditor shall carry out appropriate actions to prevent Mgt from inappropriately referring to auditor</p>