

# Specialised Areas

## 8.1 - SA 800 "Special Considerations – Audit of F.S. prepared in accordance with SPF"

**Scope:** SA 800 deals with Special considerations in application of SAs in audit of F.S. (Complete set) prepared in accordance with SPF. It does not override requirements of other SAs.

### Meaning & Nature of Special Purpose Framework (SPF)

#### Meaning of SPF

FRF designed to meet financial information need of specific users.

#### Nature of SPF

It may be Fair presentation or Compliance.

#### Examples of SPF

- Cash receipts and disbursements basis of accounting
- Financial reporting provisions established by a regulator to meet requirements of that regulator.
- FR provisions of a contract such as loan agreement.

### Auditor's Considerations

#### Engagement Acceptance

1. Determine acceptability of FRF as per SA 210.
2. Obtain understanding of:
  - Purpose for which F.S. are prepared;
  - Intended users; and
  - Steps taken by Mngt. to determine acceptability of applicable FRF.
3. Consider financial information needs of users in determining acceptability of FRF.
4. Applicable FRF may encompass FR standards established by an organization that is authorized to promulgate standards for SPFS.
5. In case any conflict exists in between FR standards & legislative requirements, auditor need to take action as prescribed in SA 210.
6. In case FRF encompass FR provisions of contract, acceptability of FRF is determined by considering whether FRF exhibits attributes normally exhibited by acceptable FRF as described in SA 210.



### Planning & Performing an Audit Engagement Acceptance

1. Determine whether **application of SAs** requires special consideration in circumstances of engagement. For example, in SA 320, judgments about matters that are material need to be based on a consideration of financial information needs of intended users.
2. Auditor is required to consider Requirement of SA 200 on applicability of SAs. SA 200 requires the auditor to comply with
  - relevant ethical requirements, and
  - all SAs relevant to the audit.

Auditor is required to comply with each requirement of an SA unless entire SA is not relevant or the requirement is not relevant because it is conditional and the condition does not exist.
3. If Special Purpose F.S. are prepared as per requirements of contract, mngt. may agree with intended users on a threshold below which misstatements identified during audit will not be corrected. Existence of such threshold does not relieve auditor from requirement to determine materiality in accordance with SA 320.
4. In case of Special Purpose F.S., TCWG may not have a responsibility of overseeing preparation of F.S. prepared as per requirements of SPF. In such cases, requirements of SA 260 may not be relevant to the audit of Special Purpose F.S.

### Forming an Opinion & Reporting

Apply requirements of SA 700.

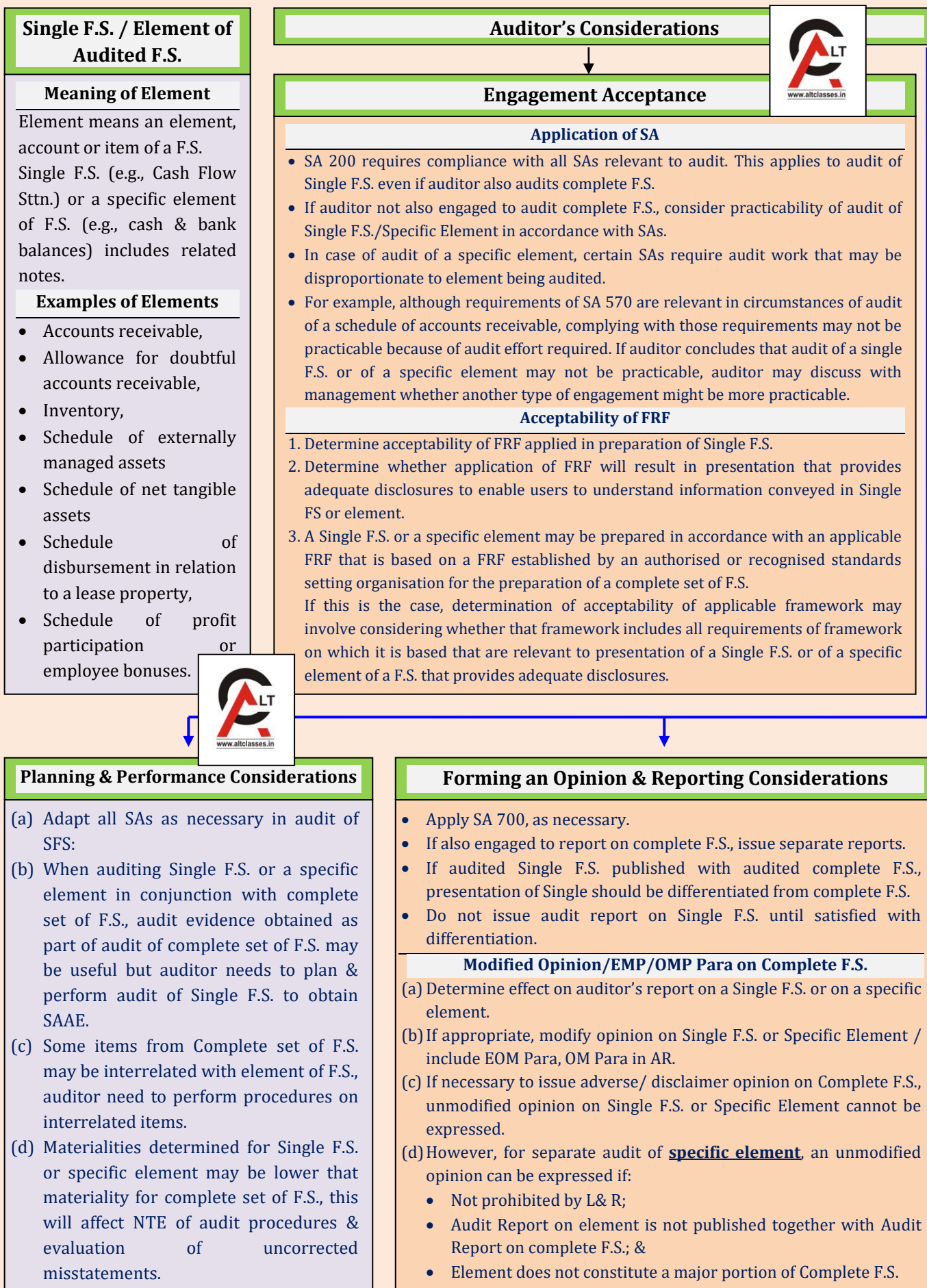
Auditor's Report to include:

- (a) Purpose for which F.S. are prepared & Intended users.
- (b) Mngt. responsibility w.r.t. F.S. and selection of FRF.
- (c) EOM Para to alert users w.r.t. allocation of Special purpose F.S. and as such F.S. may not be suitable for another purpose.

#### Restriction on Distribution or Use

- In addition to alert as discussed above, auditor may consider it appropriate to indicate that AR is intended solely for specific users.
- Depending on L & R applicable, this may be achieved by restricting distribution or use of AR. In these circumstances, paragraph alerting readers may be expanded to include these other matters & heading modified accordingly.

## 8.2 - SA 805 "Special Considerations – Audits of Single F.S. and Specific Elements, Accounts or Items of a F.S."



## 8.3 - SA 810 “Engagements to Report on Summary Financial Statements (SFS)”

- **Scope:** SA 810 deals with auditor’s responsibilities, when engaged to report, on SFS, derived from F.S. audited in accordance with SA, by same auditor.
- **Meaning of Summary F.S. (SFS):** Historical financial info that is derived from F.S., but contains less detail than F.S., while still providing structured representation consistent with that provided by entity’s F.S.

### Engagement Acceptance

- (a) Accept engagement only when also engaged to audit, those F.S., from which SFS have been derived.
- (b) Before accepting Engagement, auditor shall:
1. Determine acceptability of applied criteria.
  2. Obtain agreement of mngt. that acknowledges & understands its responsibilities:
    - For preparation of SFS in accordance with applied criteria;
    - To make audited F.S. available to intended users of SFS without undue difficulty; and
- To include auditor’s report on SFS in any document that contains SFS & that indicates that auditor has reported on them.
- (c) Agree with mngt. form of opinion to be expressed on the SFS.
- (d) Do not accept engagement if:
- Criteria are not acceptable; or
  - unable to obtain management agreement.

#### Factors affecting auditor’s determination of acceptability of applied criteria:

- Nature of the entity
- Purpose of Summary F.S.
- Information needs of intended users of Summary F.S.; and
- Whether applied criteria will result in Summary F.S. that are not misleading in the circumstances.

#### Factors affecting auditor’s evaluation whether audited F.S. are available to intended users without undue difficulty

- Whether Summary F.S. describe clearly from whom or where audited F.S. are available.
- Whether audited F.S. are on public record; or
- Whether mngt. has established a process by which intended users of Summary F.S. can obtain ready access to the audited F.S.

### Nature of Procedures

- |   |   |
|---|---|
| 1 | <b>EVALUATE</b>   |
|   | <ul style="list-style-type: none"> <li>(a) Whether SFS adequately disclose their summarised nature &amp; identify audited F.S.</li> <li>(b) If SFS are not accompanied by audited F.S., whether they clearly describe from whom or where audited F.S. are available;</li> <li>(c) Whether SFS adequately disclose applied criteria.</li> <li>(d) Whether SFS are prepared in accordance with applied criteria.</li> <li>(e) Whether SFS contain necessary info &amp; are appropriately aggregated.</li> <li>(f) Whether audited F.S. are available to intended users without undue difficulty.</li> </ul> |
| 2 | <b>COMPARE</b>  |
|   | SFS with related information in audited F.S. to determine whether SFS agree with or can be re-calculated from related information in audited F.S.   |

### Form of Opinion

**Unmodified opinion shall be expressed on Summary F.S. if SFS are consistent, in all material respects, with audited F.S., in accordance with applied criteria.**

#### Special Considerations

<b>Qualified Opinion/ EOM/OM Para in Report on Audited F.S.</b>	<ol style="list-style-type: none"> <li>1. State that audit report on F.S. contains qualified opinion/EOM/OM para <b>AND</b></li> <li>2. Describe:                     <ul style="list-style-type: none"> <li>• Basis for qualified opinion on audited F.S., &amp; that qualified opinion; or EOM/OM para; and</li> <li>• Effect thereof on SFS, if any.</li> </ul> </li> </ol>
<b>Adverse Opinion/ Disclaimer of Opinion on Audited F.S.</b>	<p>Report on SFS is required to include the following:</p> <ol style="list-style-type: none"> <li>1. Statement that audit report contains adverse/disclaimer of opinion;</li> <li>2. Description of basis of such opinion; and</li> <li>3. Statement that as result of adverse/disclaimer of opinion it is inappropriate to express an opinion on SFS.</li> </ol>
<b>Modified Opinion on SFS</b>	Express <u>adverse opinion</u> if SFS are not consistent in all material respects with or are not a fair summary of audited FS in accordance with applied criteria.