

**Final Pronouncement**  
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ISA™

*International Standard on Auditing™ (ISA™)*

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*ISA 800 (Revised), Special  
Considerations—Audits of Financial  
Statements Prepared in  
Accordance with Special Purpose  
Frameworks  
and  
Conforming Amendments to ISA  
700 (Revised), Forming an Opinion  
and Reporting on Financial  
Statements*

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Note to Readers: This document shows, in marked text, the final approved changes to extant ISA 800. Changes arising from the finalization of the ISA 720 (Revised) and Disclosures projects have also been incorporated in the text where necessary. This presentation is intended to illustrate the nature and extent of the consequential amendments made by the IAASB and assist those translating the ISAs. The footnote numbering in this document does not necessarily correlate with the footnotes as currently included in the extant ISAs.

# INTERNATIONAL STANDARD ON AUDITING 800 (REVISED)

## SPECIAL CONSIDERATIONS—AUDITS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORKS

(Effective for audits of financial statements for periods  
~~beginning~~ ending on or after December 15, ~~2009~~ 2016)

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International Standard on Auditing (ISA) 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, should be read in conjunction with ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*.

## Introduction

### Scope of this ISA

1. The International Standards on Auditing (ISAs) in the 100–700 series apply to an audit of financial statements. This ISA deals with special considerations in the application of those ISAs to an audit of financial statements prepared in accordance with a special purpose framework.
2. This ISA is written in the context of a complete set of financial statements prepared in accordance with a special purpose framework. ISA 805 (Revised)<sup>1</sup> deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement.
3. This ISA does not override the requirements of the other ISAs; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

### Effective Date

4. This ISA is effective for audits of financial statements for periods ~~beginning~~ ending on or after December 15, ~~2009~~ 2016.

## Objective

5. The objective of the auditor, when applying ISAs in an audit of financial statements prepared in accordance with a special purpose framework, is to address appropriately the special considerations that are relevant to:
  - (a) The acceptance of the engagement;
  - (b) The planning and performance of that engagement; and
  - (c) Forming an opinion and reporting on the financial statements.

## Definitions

6. For purposes of the ISAs, the following terms have the meanings attributed below:
  - (a) Special purpose financial statements – Financial statements prepared in accordance with a special purpose framework. (Ref: Para. A4)
  - (b) Special purpose framework – A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.<sup>2</sup> (Ref: Para. A1–A4)
7. Reference to “financial statements” in this ISA means “a complete set of special purpose financial statements, ~~including the related notes.~~” ~~The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information.~~ The requirements of the applicable financial reporting framework determine the ~~form~~ presentation, structure, and content of the financial

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<sup>1</sup> ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

<sup>2</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 13(a)

statements, and what constitutes a complete set of financial statements. Reference to “special purpose financial statements” includes the related disclosures.

## Requirements

### Considerations When Accepting the Engagement

#### *Acceptability of the Financial Reporting Framework*

8. ISA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial statements.<sup>3</sup> In an audit of special purpose financial statements, the auditor shall obtain an understanding of: (Ref: Para. A5–A8)
  - (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 applicable financial reporting framework is acceptable in the circumstances.

### Considerations When Planning and Performing the Audit

9. ISA 200 requires the auditor to comply with all ISAs relevant to the audit.<sup>4</sup> In planning and performing an audit of special purpose financial statements, the auditor shall determine whether application of the ISAs requires special consideration in the circumstances of the engagement. (Ref: Para. A9–A12)
10. ISA 315 (Revised) requires the auditor to obtain an understanding of the entity’s selection and application of accounting policies.<sup>5</sup> In the case of financial statements 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 financial statements. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the financial statements.

### Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on special purpose financial statements, the auditor shall apply the requirements in ISA 700 (Revised).<sup>6</sup> (Ref: Para. A13–A19)

#### *Description of the Applicable Financial Reporting Framework*

12. ISA 700 (Revised) requires the auditor to evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework.<sup>7</sup> In the case of financial statements prepared in accordance with the provisions of a contract, the auditor shall evaluate whether the

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<sup>3</sup> ISA 210, *Agreeing the Terms of Audit Engagements*, paragraph 6(a)

<sup>4</sup> ISA 200, paragraph 18

<sup>5</sup> ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph 11(c)

<sup>6</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

<sup>7</sup> ISA 700 (Revised), paragraph 15

financial statements adequately describe any significant interpretations of the contract on which the financial statements are based.

13. ISA 700 (Revised) deals with the form and content of the auditor's report, including the specific ordering for certain elements. In the case of an auditor's report on special purpose financial statements:
- (a) The auditor's report shall also describe the purpose for which the financial statements are prepared and, if necessary, the intended users, or refer to a note in the special purpose financial statements that contains that information; and
  - (b) If management has a choice of financial reporting frameworks in the preparation of such financial statements, the explanation of management's<sup>8</sup> responsibility for the financial statements shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

*Alerting Readers that the Financial Statements Are Prepared in Accordance with a Special Purpose Framework*

14. The auditor's report on special purpose financial statements shall include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose. ~~The auditor shall include this paragraph under an appropriate heading.~~ (Ref: Para. A1420–A1521)

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## **Application and Other Explanatory Material**

### **Definition of Special Purpose Framework (Ref: Para. 6)**

- A1. 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, a loan agreement, or a project grant.
- A2. There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorized or recognized standards setting organization or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires financial statements to be prepared in accordance with most, but not all, of the Financial Reporting Standards of Jurisdiction 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 special purpose financial statements to imply full compliance with the financial reporting

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<sup>8</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

framework established by the authorized or recognized standards setting organization or by law or regulation. In the above example of the contract, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract, rather than make any reference to the Financial Reporting Standards of Jurisdiction X.

- A3. In the circumstances described in paragraph A2, the special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorized or recognized standards setting organization or by law or regulation that are necessary to achieve fair presentation of the financial statements.
- A4. Financial statements prepared in accordance with a special purpose framework may be the only financial statements an entity prepares. In such circumstances, those financial statements may be used by users other than 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. The requirements in paragraphs 13–14 are designed to avoid misunderstandings about the purpose for which the financial statements are prepared. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of financial statements, or in the notes, or incorporated therein by cross-reference.<sup>9</sup>

### Considerations When Accepting the Engagement

#### *Acceptability of the Financial Reporting Framework (Ref: Para. 8)*

- A5. 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 financial reporting framework applied in the preparation of the financial statements.
- A6. The applicable financial reporting framework may encompass the financial reporting standards established by an organization that is authorized or recognized to promulgate standards for special purpose financial statements. In that case, those standards will be presumed acceptable for that purpose if 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 the preparation of special purpose financial statements for a certain type of entity. For example, a regulator may establish financial reporting provisions to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed acceptable for special purpose financial statements prepared by such entity.
- A7. Where the financial reporting standards referred to in paragraph A6 are supplemented by legislative or regulatory requirements, ISA 210 requires the auditor to determine whether any conflicts between the financial reporting standards and the additional requirements exist, and prescribes actions to be taken by the auditor if such conflicts exist.<sup>10</sup>

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<sup>9</sup> ISA 200, paragraph 13(f)

<sup>10</sup> ISA 210, paragraph 18



- A8. The applicable financial reporting framework may encompass the financial reporting provisions of a contract, or sources other than those described in paragraphs A6 and A7. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 of ISA 210. In the case of a special purpose framework, the relative importance to a particular engagement of each of the attributes normally exhibited by acceptable financial reporting frameworks is a matter of professional judgment. For example, for purposes of establishing 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 appropriate for their needs, even though such financial information is not neutral when compared with financial information prepared in accordance with a general purpose framework.

**Considerations When Planning and Performing the Audit (Ref: Para. 9)**

- A9. ISA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements, and (b) all ISAs relevant to the audit. It also requires the auditor to comply with each requirement of an ISA unless, in the circumstances of the audit, the entire ISA is not relevant or the requirement is not relevant because it is conditional and the condition does not exist. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA by performing alternative audit procedures to achieve the aim of that requirement.<sup>11</sup>
- A10. Application of some of the requirements of the ISAs in an audit of special purpose financial statements may require special consideration by the auditor. For example, in ISA 320, 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.<sup>12</sup> 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 intended users.
- A11. In the case of special purpose financial statements, such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. The existence of such a threshold does not relieve the auditor from the requirement to determine materiality in accordance with ISA 320 for purposes of planning and performing the audit of the special purpose financial statements.
- A12. ISA 260 (Revised) requires the auditor to determine the appropriate person(s) within the entity's governance structure with whom to communicate.<sup>13</sup> ISA 260 (Revised) notes that, in some cases, all of those charged governance are involved in managing the entity, and the application of the communication requirements is modified to recognize this position.<sup>14</sup> When a complete set of general purpose financial statements is also prepared by the entity, those person(s) responsible for the oversight of the preparation of the special purpose financial statements may not be the same as those charged with governance responsible for the oversight of the preparation of those general

<sup>11</sup> ISA 200, paragraphs 14, 18, and 22–23

<sup>12</sup> ISA 320, *Materiality in Planning and Performing an Audit*, paragraph 2

<sup>13</sup> ISA 260 (Revised), *Communication with Those Charged with Governance*

<sup>14</sup> ISA 260 (Revised), paragraph A8

~~purpose financial statements. Communication with those charged with governance in accordance with 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 are responsible for overseeing the preparation of those financial statements. In the case of special purpose financial statements, those charged with governance may not have such a responsibility; for example, when the financial information is prepared solely for management's use. In such cases, the requirements of ISA 260 may not be relevant to the audit of the special purpose financial statements, 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.~~

### **Forming an Opinion and Reporting Considerations (Ref: Para. 11)**

A13. The Appendix to this ISA contains illustrations of independent auditor's<sup>1</sup> reports on special purpose financial statements. Other illustrations of auditor's reports may be relevant to reporting on special purpose financial statements (see for example, the Appendices to ISA 700 (Revised), ISA 705 (Revised),<sup>15</sup> ISA 570 (Revised),<sup>16</sup> ISA 720 (Revised), and ISA 706 (Revised)).<sup>17</sup>

### Application of ISA 700 (Revised) When Reporting on Special Purpose Financial Statements

A14. Paragraph 11 of this ISA explains that the auditor is required to apply ISA 700 (Revised) when forming an opinion and reporting on special purpose financial statements. In doing so, the auditor is also required to apply the reporting requirements in other ISAs and may find the special considerations addressed in paragraphs A15–A19 below helpful.

### Going Concern

A15. Special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g., the going concern basis of accounting is not relevant for some financial statements prepared on a tax basis in particular jurisdictions).<sup>18</sup> Depending on the applicable financial reporting framework used in the preparation of the special purpose financial statements, the description in the auditor's report of management's responsibilities<sup>19</sup> relating to going concern may need to be adapted as necessary. The description in the auditor's report of the auditor's responsibilities<sup>20</sup> may also need to be adapted as necessary depending on how ISA 570 (Revised) applies in the circumstances of the engagement.

### Key Audit Matters

A16. ISA 700 (Revised) requires the auditor to communicate key audit matters in accordance with ISA 701<sup>21</sup> for audits of complete sets of general purpose financial statements of listed entities. For audits

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<sup>15</sup> ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

<sup>16</sup> ISA 570 (Revised), *Going Concern*

<sup>17</sup> ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

<sup>18</sup> ISA 570 (Revised), *Going Concern*, paragraph 2

<sup>19</sup> See ISA 700 (Revised), paragraphs 34(b) and A48.

<sup>20</sup> See ISA 700 (Revised), paragraph 39(b)(iv).

<sup>21</sup> ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

of special purpose financial statements, ISA 701 only applies when communication of key audit matters in the auditor's report on the special purpose financial statements is required by law or regulation or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on special purpose financial statements, ISA 701 applies in its entirety.<sup>22</sup>

#### Other Information

A17. ISA 720 (Revised)<sup>23</sup> deals with the auditor's responsibilities relating to other information. In the context of this ISA, reports containing or accompanying the special purpose financial statements—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the special purpose financial statements—are considered to be annual reports for the purpose of ISA 720 (Revised). In the case of financial statements prepared using a special purpose framework, the term “similar stakeholders” includes the specific users whose financial information needs are met by the design of the special purpose framework used to prepare the special purpose financial statements. When the auditor determines that the entity plans to issue such a report, the requirements in ISA 720 (Revised) apply to the audit of the special purpose financial statements.

#### Name of the Engagement Partner

A18. The requirement in ISA 700 (Revised) for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of special purpose financial statements of listed entities.<sup>24</sup> The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on special purpose financial statements of entities other than listed entities.

#### *Inclusion of a Reference to the Auditor's Report on the Complete Set of General Purpose Financial Statements*

A19. The auditor may deem it appropriate to refer, in an Other Matter paragraph in the auditor's report on the special purpose financial statements, to the auditor's report on the complete set of general purpose financial statements or to matter(s) reported therein (see ISA 706 (Revised)).<sup>25</sup> For example, the auditor may consider it appropriate to refer in the auditor's report on the special purpose financial statements to a Material Uncertainty Related to Going Concern section included in the auditor's report on the complete set of general purpose financial statements.

#### *Alerting Readers that the Financial Statements Are Prepared in Accordance with a Special Purpose Framework* (Ref: Para. 14)

A4420. The special purpose financial statements may be used for purposes other than those for which they were intended. For example, a regulator may require certain entities to place the special purpose financial statements on public record. To avoid misunderstandings, the auditor alerts users of the auditor's report by including an Emphasis of Matter paragraph explaining that the financial statements

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<sup>22</sup> ISA 700 (Revised), paragraph 31

<sup>23</sup> ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

<sup>24</sup> See ISA 700 (Revised), paragraphs 45 and A56–A58

<sup>25</sup> See ISA 706 (Revised), paragraphs 10–11.

are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose. ISA 706 (Revised) requires this paragraph to be included within a separate section of the auditor's report with an appropriate heading that includes the term "Emphasis of Matter".<sup>26</sup>

*Restriction on Distribution or Use (Ref: Para. 14)*

A1521. In addition to the alert required by paragraph 14, the auditor may consider it appropriate to indicate that the auditor's report is intended solely for the specific users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the auditor's report. In these circumstances, the paragraph referred to in paragraph 14 may be expanded to include these other matters, and the heading modified accordingly (see illustrations in the Appendix to this ISA).

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<sup>26</sup> See paragraph 9(a) of ISA 706 (Revised)

## Appendix

(Ref: Para. A4314)

### Illustrations of Independent Auditor's<sup>2</sup> Reports on Special Purpose Financial Statements

- Illustration 1: An auditor's report on a complete set of financial statements of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).
- Illustration 2: An auditor's report on a complete set of financial statements of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).
- Illustration 3: An auditor's report on a complete set of financial statements of a listed entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

Illustration 1: An auditor's report on a complete set of financial statements of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor's report, the following circumstances include the following are assumed:

- The financial statements have been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework) ~~to comply with the provisions of that contract~~. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework.
- An auditor's report on the complete set of general purpose financial statements was not issued.
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).
- Distribution and use of the auditor's report are restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ISA 720 (Revised) do not apply).
- Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial statements.
- The auditor has no other reporting responsibilities required under local law or regulation.

## INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

### Opinion

We have audited the ~~accompanying~~ financial statements of ABC Company (the 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 notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, ~~The accompanying~~ financial statements ~~have been~~ of the Company for the year ended December 31, 20X1 are prepared by management of ABC Company based on, in all material respects, in accordance with the financial reporting provisions of Section Z of the contract dated January 1, 20X1 between ABC the Company and DEF Company ("the contract"). [Opinion section positioned first as required in ISA 700 (Revised)]

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ISA 700 (Revised).]

### **Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use**

~~Without modifying our opinion, w~~We draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC the Company to comply in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ABC the Company and DEF Company and should not be distributed to or used by parties other than ABC the Company or DEF Company. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management's<sup>4</sup> Responsibility and Those Charged with Governance for the Financial Statements<sup>2</sup>**

Management is responsible for the preparation of ~~these the~~ financial statements in accordance with the financial reporting provisions of Section Z of the contract and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's ~~Responsibility~~ Responsibilities for the Audit of the Financial Statements**

~~Our responsibility is to express an on opinion on these financial statements based on our audit. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.~~

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<sup>4</sup>—Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

<sup>2</sup> Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

~~We conducted our~~ As part of an audit in accordance with International Standards on Auditing-ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. ~~Those standards require that we comply with ethical requirements and the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also involves~~ We also:

- ~~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~~ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ~~In making our risk assessments, the auditor considers~~ Obtain an understanding of internal control relevant to the entity's preparation of the financial statements ~~audit~~ 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 Company's ~~entity's~~ internal control.<sup>3</sup>
- ~~An audit also includes evaluating~~ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ~~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 opinion.~~

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Auditor's sSignature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]*

[Auditor's address] [Placement of date and address reversed)]

[Date of the auditor's report]

<sup>3</sup> This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.



Illustration 2: An auditor's report on a complete set of financial statements of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor's report, the following circumstances include the following are assumed:

- Audit of a complete set of The financial statements that have been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist the partners in preparing their individual income tax returns. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).
- Distribution of the auditor's report is restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ISA 720 (Revised) do not apply).
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- The auditor has no other reporting responsibilities required under local law or regulation.

## INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

### Opinion

We have audited the ~~accompanying~~ financial statements of ABC Partnership (the Partnership), which comprise the balance sheet as at December 31, 20X1 and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and other explanatory information.

In our opinion, the ~~accompanying~~ financial statements of ~~ABC~~ the Partnership for the year ended December 31, 20X1 are prepared, in all material respects, in accordance with [*describe the applicable income tax law*] of Jurisdiction X. [Opinion section positioned first as required in ISA 700 (Revised)]

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ISA 700 (Revised).]

### **Emphasis of Matter – Basis of Accounting and Restriction on Distribution**

~~Without modifying our opinion, w~~ We draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the partners of ABC the Partnership in preparing their individual income tax returns. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ABC the Partnership and its partners and should not be distributed to parties other than ABC the Partnership or its partners. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management's<sup>4</sup> Responsibility and Those Charged with Governance for the Financial Statements<sup>5</sup>**

Management is responsible for the preparation of ~~these the~~ financial statements in accordance with the tax basis of accounting in Jurisdiction X and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

### **Auditor's ResponsibilityResponsibilities for the Audit of the Financial Statements**

~~Our responsibility is to express an on opinion on these financial statements based on our audit.~~ Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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<sup>4</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

<sup>5</sup> Or other terms that is are appropriate in the context of the legal framework in the particular jurisdiction

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

~~We conducted our~~ As part of an audit in accordance with ~~International Standards on Auditing—ISAs~~, we exercise professional judgment and maintain professional skepticism throughout the audit. ~~Those standards require that we comply with ethical requirements and the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also involves~~ We also:

- ~~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~~ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ~~In making our risk assessments, the auditor considers~~ Obtain an understanding of internal control relevant to the ~~partnership's preparation of the financial statements~~ audit 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.<sup>6</sup>
- ~~Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.~~
- ~~An audit also includes evaluating~~ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management,;
- ~~as well as evaluating the overall presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.~~

~~We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.~~

~~[Auditor's s~~ Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

~~[Auditor's address]~~ [Placement of date and address reversed]

~~[Date of the auditor's report]~~

<sup>6</sup> This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

Illustration 3: An auditor's report on a complete set of financial statements of a listed entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

**For purposes of this illustrative auditor's report, the following ~~C~~ircumstances include the following are assumed:**

- Audit of a complete set of ~~The~~ financial statements of a listed entity that have been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator (that is, a special purpose framework) to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework.
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised). The disclosure of the material uncertainty in the financial statements is adequate.
- Distribution or use of the auditor's report is not restricted.
- The auditor is required by the regulator to communicate key audit matters in accordance with ISA 701.
- ~~The Other Matter paragraph refers to the fact that the auditor has also issued an auditor's report on financial statements prepared by ABC Company for the same period in accordance with a general purpose framework.~~
- The auditor has determined that there is no other information (i.e., the requirements of ISA 720 (Revised) do not apply).
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- The auditor has no other reporting responsibilities required under local law or regulation.

## INDEPENDENT AUDITOR'S REPORT

[To the Shareholders of ABC Company or Appropriate Addressee]

### Opinion

We have audited the ~~accompanying~~ financial statements of ABC Company (the 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 notes to the financial statements, including a summary of significant accounting policies and other explanatory information. ~~The financial statements have been prepared by management based on the financial reporting provisions of Section Y of Regulation Z.~~

In our opinion, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ~~ABC the~~ Company as at December 31, 20X1, and (of) its financial

performance and its cash flows for the year then ended in accordance with the financial reporting provisions of Section Y of Regulation Z. [Opinion section positioned first as required in ISA 700 (Revised)]

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ISA 700 (Revised).]

### **Emphasis of Matter – Basis of Accounting**

~~Without modifying our opinion, w-~~We draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC-the Company to meet the requirements of Regulator DEF. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 6 in the financial statements, which indicates that the Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note 6, these events or conditions, along with other matters as set forth in Note 6, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section above, we have determined the matters described below to be key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ISA 701 as applied to this audit.]

### **Other Matter**

ABC-The Company has prepared a separate set of financial statements for the year ended December 31, 20X1 in accordance with International Financial Reporting Standards on which we issued a separate auditor's report to the shareholders of ABC-the Company dated March 31, 20X2.

## **Responsibilities of Management's<sup>7</sup> Responsibility and Those Charged with Governance for the Financial Statements<sup>8</sup>**

Management is responsible for the preparation and fair presentation of ~~these the~~ financial statements in accordance with the financial reporting provisions of Section Y of Regulation Z<sup>9</sup> and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibility Responsibilities for the Audit of the Financial Statements**

~~Our responsibility is to express an on opinion on these financial statements based on our audit. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.~~

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

~~We conducted our As part of an audit in accordance with International Standards on Auditing ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. These standards require that we comply with ethical requirements and the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also involves We also:~~

- ~~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~~  
Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

<sup>7</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

<sup>8</sup> Or other terms that is are appropriate in the context of the legal framework in the particular jurisdiction

<sup>9</sup> Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of a financial statements that give a true and fair view in accordance with the financial reporting provisions of section Y of Regulation Z and for such ..."

- ~~In making our risk assessments, the auditor considers~~ Obtain an understanding of internal control relevant to entity's preparation and fair presentation of the financial statements audit 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 ~~Company~~ entity's internal control.<sup>10</sup>
- ~~An audit also includes evaluating~~ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates ~~and related disclosures~~ made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ~~as well as evaluating~~ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. ~~We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion~~

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is [name].

~~Auditor's s~~Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

~~Auditor's address]~~ [Placement of date and address reversed)]

~~Date of the auditor's report]~~

<sup>10</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances." This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

# CONFORMING AMENDMENTS TO ISA 700 (REVISED), FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

**Note:** The following are conforming amendments to ISA 700 (Revised) as a result of the approval of ISA 800 (Revised). These amendments will become effective at the same time as ISA 800 (Revised) as well as the new and revised Auditor Reporting standards.

Changes arising from the ISA 720 (Revised) and Disclosures projects have also been incorporated in the text where necessary, as these standards have now been finalized and issued by the IAASB. These changes are not shown in marked text.

The footnote numbers within the amendment below do not align with the ISA that is amended, and reference should be made to that ISA.

## ***ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements*** **Requirements**

### **Name of the Engagement Partner**

45. The name of the engagement partner shall be included in the auditor's report ~~for audits of complete sets of general purpose~~ on financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. In the rare circumstances that the auditor intends not to include the name of the engagement partner in the auditor's report, the auditor shall discuss this intention with those charged with governance to inform the auditor's assessment of the likelihood and severity of a significant personal security threat. (Ref: Para. A56–A58)

### **Application and Other Explanatory Material**

Name of the Engagement Partner (Ref: Para. 45)

- A56. ISQC 1<sup>31</sup> requires that the firm establish policies and procedures to provide reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements. Notwithstanding these ISQC 1 requirements, naming the engagement partner in the auditor's report is intended to provide further transparency to the users of the auditor's report ~~of complete sets of general purpose~~ of financial statements of a listed entity.
- A57. Law, regulation or national auditing standards may require that the auditor's report include the name of the engagement partner responsible for audits other than those of ~~complete sets of general purpose~~ financial statements of listed entities. The auditor may also be required by law, regulation or national auditing standards, or may decide to include additional information beyond the engagement partner's name in the auditor's report to further identify the engagement partner, for example, the engagement partner's professional license number that is relevant to the jurisdiction where the auditor practices.

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<sup>31</sup> ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, paragraph 32



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