

INTOSAI



Practice Note to ISA 805

*Special Considerations – Audits of
Financial Statements Prepared in
Accordance with Special Purpose
Frameworks*

INTOSAI



INTOSAI General Secretariat - RECHNUNGSHOF
(Austrian Court of Audit)
DAMPFSCHIFFSTRASSE 2
A-1033 VIENNA
AUSTRIA

Tel.: ++43 (1) 711 71 • Fax: ++43 (1) 718 09 69

E-MAIL: intosai@rechnungshof.gv.at;
WORLD WIDE WEB: <http://www.intosai.org>

This Practice Note in combination with the International Standard on Auditing (ISA) 805 "Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement" issued by the International Federation of Accountants (IFAC) constitute ISSAI 1805.

Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Background

This Practice Note provides supplementary guidance on ISA 805 - Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement. It is read together with the ISA. ISA 805 is effective for audits of single financial statements or of specific elements, accounts or items for periods ending on or after December 15, 2016. In the case of audits of single financial statements or of specific elements, accounts or items of a financial statement prepared as at a specific date, ISA 805 is effective for audits of such information prepared as at a date on or after December 15, 2016. The Practice Note is effective the same date as the ISA.

Introduction to the ISA

ISAs in the 100-700 series apply to an audit of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. ISA 805 deals with special considerations in the application of those ISAs to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, ISA 800 also applies to the audit. ISA 805 does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of group financial statements (see ISA 600). ISA 805 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.

Content of the Practice Note

- P1. The Practice Note provides additional guidance for public sector auditors related to:
- (a) Overall Considerations.
 - (b) Considerations When Accepting the Engagement.
 - (c) Forming an Opinion and Reporting Considerations.

Applicability of the ISA in Public Sector Auditing

- P2. ISA 805 is applicable to auditors of public sector entities when engaged to audit a single financial statement or a specific element, account or item of a financial statement.

Additional Guidance on Public Sector Issues

Overall Considerations

- P3. The objectives of public sector audits of financial statements may be broader than the objective defined in the underlying ISA. Examples on such broader objectives could be reporting responsibilities on instances of non-compliance with authorities including budget and accountability, and/or reporting on the effectiveness of internal control. If such other reporting responsibilities apply, the audit work should be considered subjected to ISSAs on performance audits or compliance audits. Other relevant frameworks or standards could be relevant. Forming an opinion and reporting on objectives other than those covered by the ISA805 should follow the guidance in P9 of this PN.

Considerations When Accepting the Engagement

- P4. When considering paragraph 7 of the ISA public sector auditors may be engaged to audit single financial statements, specific elements, accounts or items such as to audit projects financed by the government in organizations in which they are not engaged to audit the complete set of financial statements. The guidance set out in paragraph A6 of the ISA, to discuss with management whether some other type of engagement, when an audit in accordance with the ISAs is not considered practicable, is normally not an option for public sector auditors. Public sector auditors may need to determine and agree such issues with the legislature or those with responsibility to direct the audit organization.
- P5. A public sector entity may prepare financial information, including single financial statements, specific elements, accounts or items of a financial statement for other parties (such as governing bodies, the legislature or other parties that perform an oversight function). Such information may fall under the audit mandate of a public sector audit organization. Public sector auditors engaged in such audits carefully consider the guidance in paragraphs A5 to A9 of the ISA in such cases.
- P6. When public sector auditors are engaged to report on single financial statements, specific elements, accounts or items of a financial statement in conjunction with an audit of the entity's financial statements, they determine whether laws, regulations or the audit mandate may prescribe wording for the opinion in the auditor's report that differs significantly from the guidance provided in paragraphs A8 and A9 of the ISA. Paragraphs 18 to 21 of ISA 210 deal with the auditor's additional considerations in engagement acceptance.

Considerations When Accepting the Engagement

- P7. Paragraph 8 of ISA 800 explains that an understanding of the steps taken by management to determine that the financial reporting framework is acceptable in the circumstances may assist the auditor in determining the acceptability of that framework. In the public sector, however, the financial reporting framework may be prescribed by law or regulation.

Forming an Opinion and Reporting Considerations

- P8. In the public sector, legislation governing the audit mandate may specify the layout of, or wording to be used in, the auditor's report. When public sector auditors prepare the auditor's report using the layout or wording specified in such legislation, the auditor's report can refer to the audit being conducted in accordance with ISAs, and the legislation governing the audit mandate, only if the auditor's report includes, at a minimum, each of the elements specified in paragraph 49 (a)-(n) of ISA 700.
- P9. Legislation or audit mandate in public sector may require the auditor's report on special purpose financial statements to address other reporting responsibilities in addition to the auditor's responsibilities under the ISAs. If the case, the auditor's report shall describe such requirements of any relevant legislation or the audit mandate. Such a description is included in a separate section of the auditor's report. If relevant legislation or the audit mandate specifies the format for, or wording to be used in this section, public sector auditors use the prescribed wording. In these cases, ISA700 42-44 on "other reporting responsibilities" applies.
- P10. Paragraph 14 of the ISA requires the auditor to consider whether to modify the auditor's report on an element in a similar manner as the auditor's report on the entity's financial statements. Public sector auditors also consider whether to modify the auditor's report on an element based on modified opinions in the auditor's report on the entity's financial statements that relate to additional reporting responsibilities as described in P9. Even when such modified opinion does not relate to the audited element, public sector auditors nevertheless consider whether to include a reference to the modified opinion in the auditor's report on the element. Factors that may affect the public sector auditor's consideration include the requirements of relevant legislation or the audit mandate, other specific provisions for the engagement, and whether omission of such reference from the auditor's report on the element might be misleading.