

SPECIAL REPORTS — AUDIT REPORTS ON COMPLIANCE WITH AGREEMENTS, STATUTES AND REGULATIONS: SECTION 5815

- **Examples** of agreements requiring the auditor to report on compliance under this Section include **loan agreements** which usually impose covenants such as payments of interest, maintenance of current ratio, restriction of dividend payments and use of the proceeds of sales of property
- Engagements should be accepted only when the provisions of the agreement, statute or regulation to be reported on deal with matters within the auditor's **professional competence**
- When engaged to express an opinion as to the client's compliance with **criteria established by provisions of an agreement, statute or regulation**:
 - (a) The examination should be performed and the report prepared by persons having **adequate technical training and proficiency** in auditing, with **due care** and with an **objective state of mind**
 - (b) The auditor should **plan and perform** the audit to **reduce audit risk to an acceptably low level** and the auditor should plan the nature, timing and extent of direction and supervision of engagement team members and review of their work
 - (c) The auditor should obtain an **understanding of the entity** and its environment, including **internal control**, sufficient to identify and **assess the risks of material non-compliance** and sufficient to design and perform further audit procedures; and
 - (d) The auditor should obtain **sufficient appropriate audit evidence** to be able to draw reasonable conclusions on which to base the audit opinion