**From:** [*DTTL Member Firm*, *City, Country*]

**Date:** [*Date*]

**To:** [*Group Engagement Team*, *City, Country*]

In accordance with your instructions dated [*insert date*], including, if applicable, your instructions to exclude certain procedures or account balances from the scope of our work, we have audited for purposes of your audit of the consolidated financial statements of [*name of group*] (the “Group”) the [financial information included in the [*describe reporting package*] *or* account balances included in [*describe where such information is included, e.g.,* page X of the reporting package]] (the “financial information”) of [*name of component*] for the year[s] ended [*insert date(s)*]. This financial information has been prepared solely to enable the Group to prepare its consolidated financial statements.

**Management’s Responsibility**

Management is responsible for the preparation and presentation of the financial information on the basis of [*insert a description of the accounting principles used, e.g.,* International Financial Reporting Standards (IFRS) *or* accounting principles generally accepted in [*insert group’s country*]] and the Group’s accounting policies, and for such internal control as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibility[[1]](#endnote-1)**

Our responsibility is to express an opinion on the financial information using [*specify auditing standards, or if reporting to a DTTL Member Firm, use* [the requirements of the DTTL PCAOB Audit Approach Manual] *or* [the requirements of the DTTL Audit Approach Manual]] and in accordance with your instructions. As requested by you, we planned and performed our audit using the component materiality and component performance materiality [*insert either* [specified in your instructions] *or* [as agreed to by you]], which is[[2]](#endnote-2) different than the materiality and performance materiality that we would have used had we been designing the audit to express an opinion on the financial information of the component alone.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. The conclusions reached in forming our opinion are based on the component materiality and component performance materiality [*insert either* [specified by you] *or* [as agreed to by you]], in the context of the audit of the consolidated financial statements of the Group.

We have complied with [*insert description of ethical requirements that are relevant to the group audit, including independence and professional competence or insert the following if appropriate:* [the DTTL PCAOB Audit Approach Manual and DTTL Policies Manual[[3]](#endnote-3)] *or* [the DTTL Audit Approach Manual and DTTL Policies Manual[[4]](#endnote-4)]] as it relates to our independence and professional competence.

[*If any open items exist, insert the following*:

**Open Items**

[*Insert a description of any open items, e.g.:* We have not received confirmation replies relating to trade receivables of $[*insert amount*] and have not yet satisfied ourselves concerning these accounts by other means. We expect to complete our work concerning these accounts by [*insert date*], and will advise you of the status at that time.]]

**Opinion**

In our opinion, the financial information for [*name of component*] as of [*insert date*], and for the year then ended [has/have] been prepared, in all material respects, on the basis of [*insert a description of the accounting principles used, e.g.,* IFRS[[5]](#endnote-5) *or* accounting principles generally accepted in [*insert group’s country*]] and the Group’s accounting policies.

**Restriction on Use and Distribution[[6]](#endnote-6)**

This financial information has been prepared for purposes of providing information to the Group to enable it to prepare its consolidated financial statements. As a result, the financial information is not a complete set of financial statements of [*name of component*] in accordance with [*insert a description of the accounting principles used, e.g.,* IFRS *or* accounting principles generally accepted in [*insert group’s country*]], and is not intended to [*describe as either* [give a true and fair view of] *or* [present fairly, in all material respects,]] the financial position of [*name of component*] as of [*insert date*], and of its financial performance, and its cash flows for the year then ended in accordance with [*insert a description of the accounting principles used, e.g.,* IFRS *or* accounting principles generally accepted in [*insert group’s country*]]. The financial information may, therefore, not be suitable for another purpose.

This report is intended solely for [*insert name of DTTL Member Firm*] and should not be used by, or distributed to, anyone in the Group, any of its components, or any other third party.

[*DTTL MEMBER FIRM*]

**Note 1: Specified Audit Procedures Requested in Addition to an Audit of the Component’s Financial Information or an Audit of One or More Account Balances of the Component**If the group engagement team has also requested the component auditor to perform specified audit procedures in addition to an audit of the component’s financial information or an audit of one or more account balances of the component, insert the following sentence immediately preceding the last sentence in the first paragraph:

We have also performed additional procedures in accordance with your instructions, and our findings are included [*describe where included, e.g.,* Appendix X].

Replace the first paragraph under “Auditor’s Responsibility” with the following paragraph:

Our responsibility is to express an opinion on the financial information using [*specify auditing standards, or if reporting to a DTTL Member Firm, use* [the requirements of the DTTL PCAOB Audit Approach Manual] *or* [the requirements of the DTTL Audit Approach Manual]] and in accordance with your instructions. As requested by you, we planned and performed our audit, including the additional procedures, in accordance with your instructions, using the component materiality and component performance materiality [*insert either* [specified in your instructions] *or* [as agreed to by you]], which is different than the materiality and performance materiality that we would have used had we been designing the audit to express an opinion on the financial information of the component alone.

**Note 2: Scope Limitations**

Restrictions posed by the group engagement team (e.g., instructions to not audit a certain account balance or to not perform certain procedures) are not considered scope limitations for purposes of this report. Pervasive “open items” may result in the need for a scope limitation; in such circumstances, the Engagement Partner is encouraged to consult with the appropriate resource (e.g., a national office consultation resource) to reach a conclusion on the appropriateness of the scope limitation.

If there is a limitation on the scope of the component auditor’s work that requires the expression of a qualified opinion, insert before the opinion paragraph the following heading and paragraph:

**Basis for Qualified Opinion**

[*Include a paragraph describing the circumstances that led to the component auditor being unable to obtain sufficient appropriate audit evidence, for example a management-imposed limitation (e.g., management prevents us from observing inventory, and we are unable to perform other procedures) or a circumstance-imposed limitation (e.g., the timing of our appointment as auditor does not allow for us to observe inventory, and we are unable to perform other procedures).*]

Replace the paragraph under “Auditor’s Responsibilities” that begins “We believe that the audit evidence we have obtained is sufficient…” with the paragraph that follows, if the scope limitation is material and pervasive and would result in a disclaimer of opinion. Consultation with an appropriate resource (e.g., a national office consultation resource) to reach a conclusion on the appropriateness of a disclaimer of opinion may be appropriate in these circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion. The conclusions reached in forming our qualified opinion are based on the component materiality level specified by you in the context of the audit of the consolidated financial statements of the Group.

Replace the title “Opinion” with “Qualified Opinion” and replace the “Opinion” paragraph with the following:

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial information for [*name of component*] as of [*insert date*], and for the year then ended [has/have] been prepared, in all material respects, on the basis of [*insert a description of the accounting principles used, e.g.,* IFRS *or* accounting principles generally accepted in [*insert group’s country*]] and in accordance with the Group’s accounting policies.

**Note 3: Other Matter Paragraph**

If we wish to draw the group engagement team’s attention to any matters that are relevant to their understanding of the procedures we performed, an “Other Matter” paragraph may be added above the “Restriction on Use and Distribution” paragraph under an appropriate heading.

**Note 4: Material Misstatement of the Financial Information**

It may also be necessary to qualify the opinion if a material misstatement of the financial information has been identified.

**Note 5: Additional Auditor Responsibility Wording**

When reporting outside of the network, the group auditor may request that additional language be included in the report regarding the auditor’s responsibilities. In such cases, the following paragraph may be inserted as the second “Auditor’s Responsibility” paragraph in the report (note that this language would not be inserted for reporting between DTTL member firms):

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the special purpose financial information 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

1. Refer to [Note 5](#Note5) if the group auditor requests that additional Auditor Responsibility language be inserted in the report. [↑](#endnote-ref-1)
2. If the component auditor plans to express an audit opinion on the financial statements of the component (sometimes referred to as a statutory or stand-alone audit) and the materiality and performance materiality that will be used for that audit is planned to be the same as the component materiality and component performance materiality agreed to or provided by the group engagement team, replace “is” with “may be.” [↑](#endnote-ref-2)
3. For audits performed using the standards of the PCAOB, if the component auditor is not part of the DTTL network, replace this language with “the requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, the applicable independence requirements of the U.S. Federal securities laws, and the applicable rules and regulations of the U.S. Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB).” [↑](#endnote-ref-3)
4. For audits performed using the International Standards on Auditing, if the component auditor is not part of the DTTL network and the Group is a Public Interest Entity, replace this language with “the requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, including the requirements related to Public Interest Entities.” If the Group is not a Public Interest Entity, replace this language with “the requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.” [↑](#endnote-ref-4)
5. DPM 3970, *IFRS Accreditation for All Audit Professionals*, provides guidance and requirements with respect to accreditation requirements when performing work on IFRS reporting entity audit engagements. [↑](#endnote-ref-5)
6. For audits performed using the Standards of the PCAOB or the DTTL PCAOB Audit Approach Manual, tailor this paragraph to select “present fairly, in all material respects.” [↑](#endnote-ref-6)