

**INSTITUTE OF CHARTERED ACCOUNTANTS OF BARBADOS**  
**GUIDANCE DOCUMENT 05/2016**  
**LIMITATION CLAUSES IN THE AUDITOR'S REPORT**  
(Issued November 2016)

**Placement of disclaimer language in reports**

ICAB has previously issued guidance recommending that local auditors who wish to manage the risk of liability to third parties use the disclaimer language included in that guidance in their reports. This document sets out ICAB's recommendation for the placement of the disclaimer language given the upcoming changes to International Auditing Standards impacting audit reporting that become effective for the audits of financial statements for periods ending on or after December 15, 2016.

The previous recommended placement for this wording was for it to be included as an "Other Matter" paragraph at the end of the report as allowed by ISA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report.

ISA 706 (Revised) continues to define an Other Matter paragraph as "*A paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report*".

Section A16 of the Application and Other Explanatory Material to IAS 706 (Revised) goes on to indicate that "*When relevant to all the auditor's responsibilities or users' understanding of the auditor's report, the Other Matter paragraph may be included as a separate section following the Report on the Audit of the Financial Statements and the Report on Other Legal and Regulatory Requirements*".

Based on the guidance included in the revised Standard, ICAB recommends that the disclaimer language continues to be included within an Other Matter paragraph in the audit report and that the placement be as indicated in the Appendix 1 attached.

## **Appendix 1.**

*(Based on illustration 1 included within the appendix of ISA 706 (Revised) Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report)*

### **Independent Auditor's Report**

*[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]*

### **Report on the Audit of the Financial Statements**

#### **Opinion**

*[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]*

#### **Basis for Opinion**

*[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]*

#### **Key Audit Matters**

*[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]*

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

*[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]*

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

*[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]*

### **Report on Other Legal and Regulatory Requirements**

*[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]*

### **Other Matter**

<sup>1</sup>This report is made solely to the Company's members [shareholders], as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's members [shareholders] those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinion we have formed.

<sup>2</sup>This report is made solely to the Company's members [shareholders], as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's members [shareholders] those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinion we have formed.

*[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]* The engagement partner on the audit resulting in this independent auditor's report is [name].

*[Signature in the name of the audit firm]*

*[Auditor Address]*

*[Date]*

1. For use with regulated entities
2. For use with non-regulated entities