

**ISAE 300 Report**  
**XXXXXX (addressee)**

Date \_\_\_\_\_

Dear Sirs

**Limited assurance report of the independent auditor of ABC Limited on information prepared from financial information**

We have completed our engagement to provide limited assurance on ABC Limited's compliance with the requirements of the financial covenants as contained in the Loan Agreement dated DD May 20YY between ABC Limited (*As Borrower*) and XYZ Limited (*As the lender*) for the purpose of confirming whether ratios have been prepared by management in accordance with the provisions of the Loan Agreement as at 31 December 2016. The compliance ratios are contained in the Compliance Certificates which we have stamped for identification purposes for the following:

- 1 Manufacturing plant B-Line 1
- 2 Ten (10) Vans

**Management's responsibility for the Compliance certificate**

Management is responsible for preparation of the "Compliance Certificate" in accordance with the Loan Agreement, and that in all material respects the Compliance Certificate is prepared in accordance with the requirements of the loan agreement. Management is also responsible for such internal controls as management determines necessary to enable the preparation of the financial ratios that are free from material misstatements whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express a limited assurance conclusion on the Compliance Certificate based on our work performed. We conducted our engagement in accordance with International Standards on Assurance Engagements, *Assurance Engagements Other than Audits or Reviews of Financial Information (ISAE 3000)*, which standard is applicable to this engagement.

The work performed on the Compliance certificate does not constitute an audit or review. Accordingly, we do not express an audit or review opinion on the Compliance Certificate taken as a whole.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

**Summary of work performed**

Our evidence-gathering procedures consisted of making inquiries of persons responsible for financial and accounting matters and the Compliance Certificate, and applying analytical and other procedures we considered appropriate in the circumstances. In a limited assurance engagement our evidence-gathering procedures are more limited than in a reasonable assurance engagement and less assurance is obtained than in a reasonable assurance engagement.

**Conclusion**

Based on our review, **nothing has come to our attention** that causes us to believe that the Compliance Certificate for the year ended 31 December 2016 in all material respects does not accurately reflect the financial information and is not prepared in accordance with the requirements of the loan Agreement.

**Restriction on use and distribution**

As indicated, the Compliance Certificate has been prepared by management in compliance with the requirements of the Loan Agreement for the purpose of reporting to XYZ Bank. Consequently, the Compliance Certificate and our limited assurance report may not be suitable for another purpose. Our report is not be distributed to or used by parties other than ABC Limited and XYZ Bank.

Yours faithfully

**Illustration 1: Type 2 Service Auditor's Assurance Report**  
**Independent Service Auditor's Assurance Report on the Description of Controls, their Design and Operating Effectiveness**

To: XYZ Service Organization

*Scope*

We have been engaged to report on XYZ Service Organization's description at pages [bb–cc] of its [type or name of] system for processing customers' transactions throughout the period [date] to [date] (the description), and on the design and operation of controls related to the control objectives stated in the description.

*XYZ Service Organization's Responsibilities*

XYZ Service Organization is responsible for: preparing the description and accompanying assertion at page [aa], including the completeness, accuracy and method of presentation of the description and assertion; providing the services covered by the description; stating the control objectives; and designing, implementing and effectively operating controls to achieve the stated control objectives.

*Service Auditor's Responsibilities*

Our responsibility is to express an opinion on XYZ Service Organization's description and on the design and operation of controls related to the control objectives stated in that description, based on our procedures. We conducted our engagement in accordance with International Standard on Assurance Engagements 3402, "Assurance Reports on Controls at a Service Organization," issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls are suitably designed and operating effectively.

An assurance engagement to report on the description, design and operating effectiveness of controls at a service organization involves performing procedures to obtain evidence about the disclosures in the service organization's description of its system, and the design and operating effectiveness of controls. The procedures selected depend on the service auditor's judgment, including the assessment of the risks that the description is not fairly presented, and that controls are not suitably designed or operating effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the control objectives stated in the description were achieved. An assurance engagement of this type also includes evaluating the overall presentation of the description, the suitability of the objectives stated therein, and the suitability of the criteria specified by the service organization and described at page [aa]. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Limitations of Controls at a Service Organization*

XYZ Service Organization's description is prepared to meet the common needs of a broad range of customers and their auditors and may not, therefore, include every aspect of the system that each individual customer may consider important in its own particular environment. Also, because of their nature, controls at a service organization may not prevent or detect all errors or omissions in processing or reporting transactions. Also, the projection of any evaluation of effectiveness to future periods is subject to the risk that controls at a service organization may become inadequate or fail.

*Opinion*

Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion are those described at page [aa]. In our opinion, in all material respects:

- a) The description fairly presents the [the type or name of] system as designed and implemented throughout the period from [date] to [date];
- b) The controls related to the control objectives stated in the description were suitably designed throughout the period from [date] to [date]; and
- c) The controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period from [date] to [date].

*Description of Tests of Controls*

The specific controls tested and the nature, timing and results of those tests are listed on pages [yy–zz].

*Intended Users and Purpose*

This report and the description of tests of controls on pages [yy–zz] are intended only for customers who have used XYZ Service Organization's [type or name of] system, and their auditors, who have a sufficient understanding to consider it, along with other information including information about controls operated by customers themselves, when assessing the risks of material misstatements of customers' financial statements.

*[Service auditor's signature]*

*[Date of the service auditor's assurance report]*

*[Service auditor's address]*

**Illustration 2: Type 1 Service Auditor's Assurance Report**  
**Independent Service Auditor's Assurance Report on the Description of Controls and their Design**  
To: XYZ Service Organization

*Scope*

We have been engaged to report on XYZ Service Organization's description at pages [bb–cc] of its [type or name of] system for processing customers' transactions as at [date] (the description), and on the design of controls related to the control objectives stated in the description. We did not perform any procedures regarding the operating effectiveness of controls included in the description and, accordingly, do not express an opinion thereon.

*XYZ Service Organization's Responsibilities*

XYZ Service Organization is responsible for: preparing the description and accompanying assertion at page [aa], including the completeness, accuracy and method of presentation of the description and the assertion; providing the services covered by the description; stating the control objectives; and designing, implementing and effectively operating controls to achieve the stated control objectives.

*Service Auditor's Responsibilities*

Our responsibility is to express an opinion on XYZ Service Organization's description and on the design of controls related to the control objectives stated in that description, based on our procedures. We conducted our engagement in accordance with International Standard on Assurance Engagements 3402, "Assurance Reports on Controls at a Service Organization," issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls are suitably designed in all material respects.

An assurance engagement to report on the description and design of controls at a service organization involves performing procedures to obtain evidence about the disclosures in the service organization's description of its system, and the design of controls. The procedures selected depend on the service auditor's judgment, including the assessment that the description is not fairly presented, and that controls are not suitably designed. An assurance engagement of this type also includes evaluating the overall presentation of the description, the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described at page [aa]. As noted above, we did not perform any procedures regarding the operating effectiveness of controls included in the description and, accordingly, do not express an opinion thereon.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Limitations of Controls at a Service Organization*

XYZ Service Organization's description is prepared to meet the common needs of a broad range of customers and their auditors and may not, therefore, include every aspect of the system that each individual customer may consider important in its own particular environment. Also, because of their nature, controls at a service organization may not prevent or detect all errors or omissions in processing or reporting transactions.

*Opinion*

Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion are those described at page [aa]. In our opinion, in all material respects:

- a) The description fairly presents the [the type or name of] system as designed and implemented as at [date]; and
- b) The controls related to the control objectives stated in the description were suitably designed as at [date].

*Intended Users and Purpose*

This report is intended only for customers who have used XYZ Service Organization's [type or name of] system, and their auditors, who have a sufficient understanding to consider it, along with other information including information about controls operated by customers themselves, when obtaining an understanding of customers' information systems relevant to financial reporting.

[Service auditor's signature]

[Date of the service auditor's assurance report]

[Service auditor's address]