



**4 August 2015**

**To: Members of the Hong Kong Institute of CPAs  
All other interested parties**

**INVITATION TO COMMENT ON IFAC'S INTERNATIONAL  
AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)  
EXPOSURE DRAFT**

***Proposed International Standard on Auditing (ISA) 810 (Revised)  
Engagements to Report on Summary Financial Statements***

***Comments to be received by 2 October 2015***

The Hong Kong Institute of Certified Public Accountants' (Institute) Auditing and Assurance Standards Committee is seeking comments on the IAASB's Exposure Draft (ED), Proposed ISA 810 (Revised), *Engagements to Report on Summary Financial Statements* which has been posted on the Institute's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/exposure-drafts/>

ISA 810 deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs by that same auditor. The IAASB is proposing limited conforming amendments to ISA 810 as a result of the issuance of its [new and revised Auditor Reporting standards](#), which address auditor reporting on general purpose financial statements.

In light of its overall efforts to enhance auditor reporting, the IAASB believes it is also in the public interest to provide users of summary financial statements with greater transparency in circumstances when additional information, such as key audit matters, are communicated in the related auditor's report on the audited financial statements.

The proposed changes to ISA 810 represent a balanced approach considering the objective of an engagement to report on summary financial statements and the report that is required to be issued.

The IAASB's approach also recognizes that the manner in which summary financial statements are prepared and presented may vary on a national basis depending on the criteria used, and therefore national auditing standard setters may further tailor ISA 810 in their jurisdictions.



The key aspects of change within proposed ISA 810 (Revised) are explained in the Significant Matters section commencing on page 7 of the ED.

This section addresses matters on which the IAASB's debates have focused, and where feedback from respondents is sought. Broadly, the IAASB is interested in feedback regarding:

- Whether respondents agree with the manner in which paragraph 17 has been changed to address reference to additional information that may be included in the auditor's report on the audited financial statements, as well as the additional guidance proposed in paragraph A15 and Illustration 1 of the Appendix to proposed ISA 810 (Revised).
- Whether respondents believe any further changes to ISA 810 are necessary as a result of the new and revised Auditor Reporting standards. If so, the IAASB would like to understand respondents' rationale as to why these further changes are needed as well as views as to when the Board should develop and propose such changes in light of its other priorities.

Questions for respondents have been included in the Request for Comments section to solicit specific feedback on the proposed amendments.

In accordance with the Institute's due process, comments are invited from any interested party and the Institute would like to hear from both those who do agree and those who do not agree with the contents of the ED.

Comments should be supported by specific reasoning and should be submitted in written form.

To allow your comments on the ED to be considered, comments are requested by the due date shown above.

Comments may be sent by mail, fax or e-mail to:

Standard Setting Department  
Hong Kong Institute of Certified Public Accountants  
37/F., Wu Chung House  
213 Queen's Road East  
Hong Kong

Fax number (+852) 2865 6776  
E-mail: [commentletters@hkiipa.org.hk](mailto:commentletters@hkiipa.org.hk)

Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.

4 August 2015  
Invitation to Comment

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Response Due Date  
2 October 2015

*Exposure Draft*

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**Proposed ISA 810 (Revised)**  
***Engagements to Report on Summary***  
***Financial Statements***



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會

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IAASB Press release

The Invitation to Comment can also be found on the Institute's website at:  
[www.hkicpa.org.hk/professionaltechnical/assurance/exposedraft/](http://www.hkicpa.org.hk/professionaltechnical/assurance/exposedraft/).



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會



*Proposed International Standard on Auditing™  
(ISA™) 810 (Revised)*

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# Engagements to Report on Summary Financial Statements

IAASB

International Auditing  
and Assurance  
Standards Board®

This Exposure Draft was developed and approved by the International Auditing and Assurance Standards Board (IAASB®).

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants® (IFAC®).

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## REQUEST FOR COMMENTS

This Exposure Draft, Proposed ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*, was developed and approved by the International Auditing and Assurance Standards Board® (IAASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by November 2, 2015.**

Respondents are asked to submit their comments electronically through the IAASB website, using the "[Submit a Comment](#)" link. Please submit comments in both a PDF and Word file. First-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website.

This publication may be downloaded from the IAASB website: [www.iaasb.org](http://www.iaasb.org). The approved text is published in the English language.

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# EXPLANATORY MEMORANDUM

## Introduction

1. This memorandum provides background to, and an explanation of, proposed International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*. The International Auditing and Assurance Standards Board (IAASB) approved the proposed ISA in June 2015 for exposure.

## Background

2. In finalizing its [new and revised Auditor Reporting standards](#),<sup>1</sup> the IAASB agreed that it would also be in the public interest to develop an exposure draft (ED) to consider how such changes should affect ISA 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*,<sup>2</sup> and ISA 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.<sup>3</sup> The IAASB issued the [ED of proposed changes to ISA 800 and ISA 805](#) (ED-ISA 800/805) in January 2015, and the comment period closed April 22, 2015.
3. ISA 810 deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs by that same auditor. The IAASB initially considered including consequential amendments to ISA 810 in ED-ISA 800/805 to take into account the enhancements resulting from the new and revised Auditor Reporting standards. However, recognizing that the nature and objective<sup>4</sup> of an ISA 810 engagement was substantively different from an audit of financial statements, the IAASB determined that further consideration of the potential changes was warranted.

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<sup>1</sup> In September 2014, the IAASB unanimously approved its new and revised Auditor Reporting standards and related conforming amendments, which comprise:

- ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*
- New ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*
- ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*
- ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- ISA 570 (Revised), *Going Concern*
- ISA 260 (Revised), *Communication with Those Charged with Governance*
- Conforming amendments to other ISAs.

These standards were released in January 2015 and will be effective for audits for periods ending on or after December 15, 2016.

<sup>2</sup> ISA 800 deals with special considerations in the application of the ISAs (100-700 series) to an audit of financial statements that are prepared in accordance with a special purpose framework. A special purpose framework is defined in the ISAs as a financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.

<sup>3</sup> ISA 805 deals with special considerations in the application of the ISAs (100-700 series) to an audit of a single financial statement or a specific element, account or item of a financial statement (referred to hereafter as "element of a financial statement" or "element").

<sup>4</sup> The objective of an ISA 810 engagement is for the auditor to report on the derivation of the summary financial statements from the audited financial statements, and not to express an opinion on the fairness of those summary financial statements.

4. The IAASB concluded that it was necessary to first:
  - (a) Further understand the nature and use of extant ISA 810 on a global basis.
  - (b) Undertake a technical review of extant ISA 810 for the purpose of identifying conflicts, if any, that would make it inoperable in relation to the new and revised Auditor Reporting standards.
  - (c) Solicit views about whether conforming amendments to extant ISA 810 are needed and, if so, what approach should be taken to incorporate the enhancements resulting from the new and revised Auditor Reporting standards.
5. ED-ISA 800/805 therefore included an explicit question soliciting views about the IAASB's planned approach with respect to ISA 810. Forty-three responses to ED-ISA 800/805 were received, of which 30 provided specific feedback with respect to ISA 810. This feedback has been considered by the IAASB in developing the proposed limited conforming amendments to extant ISA 810 included in this ED.<sup>5</sup>
6. In March 2015, the IAASB discussed the results of an IAASB Staff-led technical review of extant ISA 810. This review confirmed previous views discussed by the Board at its September 2014 meeting – namely that an information gap would result in circumstances when a material uncertainty related to going concern or a material misstatement of other information are highlighted in the auditor's report on the related audited financial statements. Such matters were previously required to be addressed in an Emphasis of Matter paragraph or an Other Matter paragraph, respectively, and, in accordance with paragraph 17 of extant ISA 810, would always be required to be highlighted in the ISA 810 report. ISA 570 (Revised) and ISA 720 (Revised)<sup>6</sup> now require separate sections in the auditor's report on the audited financial statements when such circumstances exist (i.e., these matters are no longer addressed using an Emphasis of Matter or Other Matter paragraph). Because extant ISA 810 does not refer to these new sections required by ISA 570 (Revised) and ISA 720 (Revised), without amendment to extant ISA 810, these newly required sections would not be required to be highlighted in the ISA 810 auditor's report.

*Feedback from ED-ISA 800/805*

7. Respondents to ED-ISA 800/805 expressed mixed views about the IAASB's proposed next steps with respect to ISA 810 as outlined in ED-ISA 800/805. Fourteen of the 30 respondents who responded to the question were of the view that extant ISA 810 should be fully updated to align with the new and revised Auditor Reporting standards (i.e., all enhancements to auditor reporting should be carried over to the ISA 810 report). This included respondents from four jurisdictions – Canada, Hong Kong, Malaysia and South Africa – where ISA 810 is currently used. Other respondents, in particular those from Australia and Europe, noted that the conforming amendments to align the ISAs were needed as a matter of principle to ensure consistency with the new and revised Auditor Reporting standards.
8. On the other hand, eight respondents suggested that limited conforming amendments to extant ISA 810 should be made to address only auditor reporting issues relating to a material uncertainty related to going concern or material misstatement of other information – i.e., to address the information gap described in paragraph 7. The other eight respondents were of the view that conforming amendments to extant ISA 810 are not needed at this time, with two of those

<sup>5</sup> See Agenda Items 5, 5A and 5B of the June 2015 IAASB meeting at: <http://www.iaasb.org/meetings/new-york-usa-9>.

<sup>6</sup> ISA 720 (Revised), *The Auditor's Responsibilities Related to Other Information*

respondents suggesting that the IAASB should undertake a more comprehensive revision of extant ISA 810 to address fundamental issues before making any conforming amendments to address the impact of the new and revised Auditor Reporting standards.

## Guide for Respondents

The IAASB welcomes comments on all matters addressed in this ED, but especially those identified in the *Request for Comments* section. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in this ED (especially those calling for change in current practice), it will be helpful for the IAASB to be made aware of this view as this cannot always be inferred when not stated. It would be particularly helpful to understand respondents' exposure to or experiences with ISA 810 in their respective jurisdictions, whether in the context as auditors, national auditing standard setters (NSS), regulators or others.

## Significant Matters

### Public Interest Issues Addressed by This Project

9. In proposing changes to the ISAs relevant to auditor reporting on general purpose financial statements, the IAASB recognized the public interest benefits of greater transparency about the audit (in particular, through the communication of key audit matters and disclosure of the name of the engagement partner for audits of financial statements of listed entities), as well as increasing investor attention on matters related to going concern and other information.
10. The IAASB considered how best to leverage this additional transparency provided in the auditor's report on the complete set of general purpose financial statements in circumstances where the auditor is also engaged to report on summary financial statements, in light of the nature and objective of the ISA 810 engagement. The IAASB sought to find an appropriate balance between drawing attention to information in the auditor's report on the audited financial statements and the potential for the auditor's report on the summary financial statements (referred to hereafter as 'the ISA 810 report') to inadvertently give the impression that the engagement has a broader objective than what is intended (i.e., to report on whether the summary financial statements are consistent with, in all material respects, [or *are a fair summary of*], the audited financial statements).
11. As explained in paragraph A5 of proposed ISA 810 (Revised), the criteria for the preparation of summary financial statements may be established by an authorized or recognized standards setting organization or by law or regulation. While the IAASB is not aware of any international framework or criteria for summary financial statements, the Board recognizes that accounting standard setters, securities regulators and others may set out requirements on a national basis for summary financial statements in light of the intended users of this information. Where established criteria do not exist, criteria may be developed by management based on practice in a particular industry.<sup>7</sup>
12. The preliminary feedback obtained by the Board and its Staff to date indicates that ISA 810 is used as a starting point for a limited number of jurisdictions in which auditors are engaged to report on summary financial statements. These jurisdictions have further tailored ISA 810, and in some cases

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<sup>7</sup> Paragraph 6 of extant ISA 810 and proposed ISA 810 (Revised) requires the auditor to determine whether the applied criteria are acceptable before accepting an engagement to report on summary financial statements.

supplement it with national guidance to reflect the facts and circumstances that are relevant within the context of the national environments where these engagements are performed.

13. The IAASB therefore believes it is also in the public interest to allow for flexibility in relation to auditor reporting in this area to align with those users' needs and expectations, and envisages that NSS may continue to consider it appropriate to add more detailed requirements in their national equivalents of ISA 810.
14. Importantly, extant ISA 810 already requires reference to be made to the auditor's report on the complete set of financial statements,<sup>8</sup> as well as a statement that advises readers of the ISA 810 report that reading the summary financial statements is not a substitute for reading the audited financial statements.<sup>9</sup> The standard also requires the auditor to obtain the agreement of management that it acknowledges and understands its responsibility to make the audited financial statements available to the intended users of the summary financial statements without undue difficulty.<sup>10</sup>
15. The proposals explained further below therefore represent the IAASB's view that, consistent with the approach taken in ED-ISA 800/805, it is not necessary to substantively change the premise of an ISA 810 engagement, but rather to make limited changes to take into account the enhancements to auditor reporting.

#### **Nature and Extent of the Proposed Amendments to ISA 810**

16. The changes being proposed to extant ISA 810 are intended to explain how the enhancements resulting from the new and revised Auditor Reporting standards apply to an engagement to report on summary financial statements and, accordingly, are limited and conforming in nature.
17. In summary, the proposed changes are intended to:
  - (a) Amend extant ISA 810 requirements to address the information gap related to a material uncertainty related to going concern and a material misstatement of other information.
  - (b) Introduce a new requirement for ISA 810 reports to include a reference to the communication of key audit matters in the auditor's report on the audited financial statements (i.e., to refer only to the existence of such communication without needing to describe, repeat or otherwise refer to individual key audit matters).
  - (c) Align the layout of the ISA 810 illustrative auditor's reports in a manner consistent with those in ISA 700 (Revised).
18. The ED also incorporates the finalized conforming amendments resulting from ISA 720 (Revised), which was released in April 2015 (see paragraphs 24 and A20 of proposed ISA 810 (Revised)).

#### *Reference to the Auditor's Report on the Audited Financial Statements*

19. Paragraph 17 of extant ISA 810 requires the auditor to draw attention in the ISA 810 report to certain additional information included in the auditor's report on the audited financial statements (i.e., a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter paragraph), and describe these matters and the effects thereof, if any, on the summary financial statements.

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<sup>8</sup> Extant ISA 810, paragraph 14 (c)(iii), now included as paragraph 14(h) of proposed ISA 810 (Revised)

<sup>9</sup> Extant ISA 810, paragraph 14(c)(v), now included as paragraph 14(f) of proposed ISA 810 (Revised)

<sup>10</sup> Paragraph 6(b)(ii) of extant ISA 810 and proposed ISA 810 (Revised)

20. The IAASB has retained this approach and is proposing to expand paragraph 17 to also address circumstances in which the auditor's report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section in accordance with ISA 570 (Revised) or a statement that describes an uncorrected material misstatement of other information in accordance with ISA 720 (Revised) (see paragraphs 17(e)(i)-(ii) of proposed ISA 810 (Revised)). The IAASB agreed with the feedback from ED-ISA 800/805 that it is in the public interest to address the information gap that would result from changes made during the Auditor Reporting project in circumstances where a material uncertainty related to going concern or a material misstatement of other information exists. In such cases, the auditor will continue to be required to describe the material uncertainty related to going concern, or the uncorrected material misstatement of the other information described in the auditor's report on the audited financial statements and the effect(s) thereof, if any, on the summary financial statements.
21. The IAASB also believes it would be in the public interest to provide users of summary financial statements with greater transparency in circumstances when key audit matters are communicated in the auditor's report on the audited financial statements. Accordingly, paragraph 17 would require the auditor to make a statement in the ISA 810 report that the auditor's report on the audited financial statement includes communication of key audit matters.
22. The IAASB debated the merits of requiring additional language that would provide greater context about key audit matters. For example, the IAASB considered requiring the auditor to list the subheadings / topics of key audit matters in the auditor's report or include the descriptions of individual key audit matters in their entirety. The IAASB decided against doing so, as detailed reference to individual key audit matters may give the impression that the ISA 810 engagement is something other than what is intended, would potentially lengthen the ISA 810 report, and could be misleading if the underlying issues were not disclosed in a similar manner in the summary financial statements. Paragraph A15 of proposed ISA 810 (Revised) has therefore been included to explicitly note that a description of individual key audit matters in the ISA 810 report is not required.
23. Illustration 1 of the Appendix to proposed ISA 810 (Revised) provides an example of the statement required by paragraph 17 of proposed ISA 810 (Revised) when the auditor's report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters. Because key audit matters is a new concept, the IAASB thought it may be useful for the illustrative auditor's report to highlight how an auditor might include additional contextual information about key audit matters, rather than just the required statement. Accordingly, though not required, Illustration 1 includes an additional statement "Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period."

*Other Proposed Changes to Align Extant ISA 810 with ISA 700 (Revised)*

24. In contrast to ISA 800 and ISA 805, which are linked directly to ISA 700 (Revised), extant ISA 810 is a stand-alone standard. It includes requirements that address the elements that are to be included in an auditor's report on summary financial statements (see paragraphs 14–19 of proposed ISA 810 (Revised)). Though some of those reporting elements are similar to the elements that are required in an auditor's report on a complete set of general purpose financial statements (i.e., paragraphs 21–49 of ISA 700 (Revised)), those elements are characterized in the context of an engagement to report on summary financial statements.

## EXPLANATORY MEMORANDUM

25. The IAASB agreed to retain a degree of symmetry between the layout of the illustrative auditor's reports on summary financial statements and the illustrative auditor's reports on audited financial statements included in proposed ISA 810 (Revised) and ISA 700 (Revised), respectively. The IAASB also agreed to reorder certain of the elements included in paragraph 14 of proposed ISA 810 (Revised) for this purpose. The illustrative reports in the Appendix to proposed ISA 810 (Revised) therefore represent the IAASB's preferred ordering within the report.
26. However, the IAASB did not believe it was necessary to go so far as to mandate the ordering of certain elements in the ISA 810 report (i.e., the *Opinion* section) or require the use of specific headings (in contrast to the approach taken in ISA 700 (Revised)). In this regard, the IAASB agreed to delete the phrase "An introductory paragraph that:" in the requirement in paragraph 14(c) of extant ISA 810, as this phrase implied a particular order was required for the ISA 810 report.
27. The IAASB also did not consider it necessary to require a statement about independence and other relevant ethical responsibilities or disclosure of the name of the engagement partner for engagements to report on summary financial statements of listed entities in the ISA 810 report, since such information would be available to the users of the auditors' reports on the audited financial statements to which reference is made in the ISA 810 report.

### *Alternative Considered to Emphasize the Importance of Reading the Auditor's Report on the Audited Financial Statements*

28. Paragraph 14(f) of proposed ISA 810 requires the auditor to include the following in the ISA 810 report:

A statement indicating that the summary financial statements do not contain all the disclosures required by the financial reporting framework applied in the preparation of the audited financial statements, and that reading the summary financial statements is not a substitute for reading the audited financial statements.

29. The IAASB considered whether this statement should be expanded to state that, "...reading the summary financial statements and the auditor's report thereon is not a substitute for reading the audited financial statements and the auditor's report thereon," as a means of signaling and encouraging readers of the ISA 810 report to read the auditor's report on the audited financial statements.
30. On balance, the IAASB concluded that requiring such a statement would not be necessary, as the approach proposed in paragraph 17 of proposed ISA 810 (Revised) will more explicitly make reference to specific items included in the auditor's report on the audited financial statements, thereby achieving the same effect.

### *The Need for Further Actions with Respect to ISA 810*

31. The IAASB considered input from NSS, the Forum of Firms, the Standards Coordination Working Group of the International Forum for Independent Audit Regulators, and the IAASB Consultative Advisory Group (CAG). As a whole, none of these groups raised exceptions to the IAASB's planned approach to making limited conforming amendments to ISA 810.
32. ED-ISA 800/805 noted that the IAASB could further explore at a future date, possibly as part of developing its *Work Plan for 2017–2018*, whether a more holistic approach to revising extant ISA 810 may be necessary. Unless the IAASB becomes aware of significant public interest concerns with proposed ISA 810 (Revised), the IAASB will continue with the limited amendments as

proposed in this ED and does not intend to initiate a more fulsome project in relation to ISA 810 in the future. This view was supported by representatives of the IAASB CAG. Of note, however, a few IAASB CAG Representatives and some respondents to ED-ISA 800/805 suggested the IAASB may need to consider ISA 810 engagements more holistically, including whether ISA 810 should be withdrawn, given the perceived lack of international criteria for such summary financial statements and the perception that it may not be appropriate for the standard to allow management, rather than an authorized or recognized standards setting organization or law or regulation, to establish the criteria for such summary financial statements. However, the ISAs, including ISA 810, are framework-neutral: some jurisdictions have national criteria for summary financial statements. Furthermore, not permitting management to establish the criteria for financial statements or other subject matter information would not be in line with ISA 800 or ISAE 3000 (Revised),<sup>11</sup> respectively. Hence, the IAASB believed that withdrawing ISA 810 for these reasons may unduly limit currently acceptable practices in some jurisdictions.

### Request for Comments

While the IAASB welcomes comments on all matters addressed in this ED, the IAASB is specifically seeking comments on the following matters:

33. Whether respondents agree with the manner in which paragraph 17 has been changed to address reference to additional information that may be included in the auditor's report on the audited financial statements, as well as the additional guidance proposed in paragraph A15 and Illustration 1 of the Appendix to proposed ISA 810 (Revised).
34. Whether respondents believe any further changes to ISA 810 are necessary as a result of the new and revised Auditor Reporting standards. If so, the IAASB would like to understand respondents' rationale as to why these further changes are needed as well as views as to when the Board should develop and propose such changes in light of its other priorities.

In addition to the requests for specific comments above, the IAASB is also seeking comments on the general matters set out below:

- (a) *Preparers (including Small- and Medium-Sized Entities (SMEs)), and Users (including Investors and Regulators)*—The IAASB invites comments on proposed ISA 810 (Revised) from preparers (particularly with respect to the practical impacts of the proposed amendments), and users (particularly with respect to the manner in which reference is proposed to be made to matters included in the auditor's report on the audited financial statements).
- (b) *Developing Nations*—Recognizing that many developing nations have adopted or are in the process of adopting the ISAs, the IAASB invites respondents from these nations to comment on proposed ISA 810 (Revised), in particular, on any foreseeable difficulties in applying it in a developing nation environment.
- (c) *Translations*—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing proposed ISA 810 (Revised).

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<sup>11</sup> International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

EXPLANATORY MEMORANDUM

- (d) *Effective Date*—In line with the effective date of the new and revised Auditor Reporting standards, the effective date of the Proposed Limited Conforming Amendments to ISA 810 is for engagements to report on summary financial statements for periods ending on or after December 15, 2016.



**PROPOSED INTERNATIONAL STANDARD ON AUDITING 810**  
**(REVISED)**  
**ENGAGEMENTS TO REPORT ON SUMMARY**  
**FINANCIAL STATEMENTS**

(Effective for engagements to report on summary financial statements for periods  
ending beginning on or after December 15, 20162009)

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Proposed International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*, should be read in conjunction with ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*.

**Note:** Footnote references within this proposed ISA will be renumbered as appropriate when the ISA is finalized.

## Introduction

### Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs by that same auditor.

### Effective Date

2. This ISA is effective for engagements to report on summary financial statements for periods ending beginning on or after December 15, ~~2016~~2009.

## Objectives

3. The objectives of the auditor are:
  - (a) To determine whether it is appropriate to accept the engagement to report on summary financial statements; and
  - (b) If engaged to report on summary financial statements:
    - (i) To form an opinion on the summary financial statements based on an evaluation of the conclusions drawn from the evidence obtained; and
    - (ii) To express clearly that opinion through a written report that also describes the basis for that opinion.

## Definitions

4. For purposes of this ISA, the following terms have the meanings attributed below:
  - (a) Applied criteria – The criteria applied by management in the preparation of the summary financial statements.
  - (b) Audited financial statements – Financial statements<sup>1</sup> audited by the auditor in accordance with ISAs, and from which the summary financial statements are derived.
  - (c) Summary financial statements – Historical financial information that is derived from financial statements but that contains less detail than the financial statements, while still providing a structured representation consistent with that provided by the financial statements of the entity's economic resources or obligations at a point in time or the changes therein for a period of time.<sup>2</sup> Different jurisdictions may use different terminology to describe such historical financial information.

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<sup>1</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 13(f), defines the term "financial statements."

<sup>2</sup> ISA 200, paragraph 13(f)

## Requirements

### Engagement Acceptance

5. The auditor shall accept an engagement to report on summary financial statements in accordance with this ISA only when the auditor has been engaged to conduct an audit in accordance with ISAs of the financial statements from which the summary financial statements are derived. (Ref: Para. A1)
6. Before accepting an engagement to report on summary financial statements, the auditor shall: (Ref: Para. A2)
  - (a) Determine whether the applied criteria are acceptable; (Ref: Para. A3–A7)
  - (b) Obtain the agreement of management that it acknowledges and understands its responsibility:
    - (i) For the preparation of the summary financial statements in accordance with the applied criteria;
    - (ii) To make the audited financial statements available to the intended users of the summary financial statements without undue difficulty (or, if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, to describe that law or regulation in the summary financial statements); and
    - (iii) To include the auditor's report on the summary financial statements in any document that contains the summary financial statements and that indicates that the auditor has reported on them.
  - (c) Agree with management the form of opinion to be expressed on the summary financial statements (see paragraphs 9–11).
7. If the auditor concludes that the applied criteria are unacceptable or is unable to obtain the agreement of management set out in paragraph 6(b), the auditor shall not accept the engagement to report on the summary financial statements, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this ISA. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this ISA. The auditor shall include appropriate reference to this fact in the terms of the engagement. The auditor shall also determine the effect that this may have on the engagement to audit the financial statements from which the summary financial statements are derived.

### Nature of Procedures

8. The auditor shall perform the following procedures, and any other procedures that the auditor may consider necessary, as the basis for the auditor's opinion on the summary financial statements:
  - (a) Evaluate whether the summary financial statements adequately disclose their summarized nature and identify the audited financial statements.
  - (b) When summary financial statements are not accompanied by the audited financial statements, evaluate whether they describe clearly:
    - (i) From whom or where the audited financial statements are available; or

- (ii) The law or regulation that specifies that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements.
- (c) Evaluate whether the summary financial statements adequately disclose the applied criteria.
- (d) Compare the summary financial statements with the related information in the audited financial statements to determine whether the summary financial statements agree with or can be recalculated from the related information in the audited financial statements.
- (e) Evaluate whether the summary financial statements are prepared in accordance with the applied criteria.
- (f) Evaluate, in view of the purpose of the summary financial statements, whether the summary financial statements contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- (g) Evaluate whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty, unless law or regulation provides that they need not be made available and establishes the criteria for the preparation of the summary financial statements. (Ref: Para. A8)

### **Form of Opinion**

9. When the auditor has concluded that an unmodified opinion on the summary financial statements is appropriate, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases: (Ref: Para. A9)
  - (a) The summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with [the applied criteria]; or
  - (b) The summary financial statements are a fair summary of the audited financial statements, in accordance with [the applied criteria].
10. If law or regulation prescribes the wording of the opinion on summary financial statements in terms that are different from those described in paragraph 9, the auditor shall:
  - (a) Apply the procedures described in paragraph 8 and any further procedures necessary to enable the auditor to express the prescribed opinion; and
  - (b) Evaluate whether users of the summary financial statements might misunderstand the auditor's opinion on the summary financial statements and, if so, whether additional explanation in the auditor's report on the summary financial statements can mitigate possible misunderstanding.
11. If, in the case of paragraph 10(b), the auditor concludes that additional explanation in the auditor's report on the summary financial statements cannot mitigate possible misunderstanding, the auditor shall not accept the engagement, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this ISA. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this ISA.

## Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Statements

12. The auditor's report on the summary financial statements may be dated later than the date of the auditor's report on the audited financial statements. In such cases, the auditor's report on the summary financial statements shall state that the summary financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements that may require adjustment of, or disclosure in, the audited financial statements. (Ref: Para. A10)
13. The auditor may become aware of facts that existed at the date of the auditor's report on the audited financial statements, but of which the auditor previously was unaware. In such cases, the auditor shall not issue the auditor's report on the summary financial statements until the auditor's consideration of such facts in relation to the audited financial statements in accordance with ISA 560<sup>3</sup> has been completed.

## Auditor's Report on Summary Financial Statements

### *Elements of the Auditor's Report*

14. The auditor's report on summary financial statements shall include the following elements:<sup>4</sup> (Ref: Para. A1645)
  - (a) A title clearly indicating it as the report of an independent auditor. (Ref: Para. A11)
  - (b) An addressee. (Ref: Para. A12)
  - ~~(c) An introductory paragraph that:~~
    - ~~(c)(i) Identifies identification of the summary financial statements on which the auditor is reporting, including the title of each statement included in the summary financial statements;~~ (Ref: Para. A13)
    - ~~(d)(ii) Identifies identification of the audited financial statements;~~
    - ~~(e)(f) A paragraph clearly expressing an opinion (see paragraphs 9–11).~~
    - ~~(f)(v) A statement indicating that the summary financial statements do not contain all the disclosures required by the financial reporting framework applied in the preparation of the audited financial statements, and that reading the summary financial statements is not a substitute for reading the audited financial statements.~~
    - ~~(g)(iv) If the date of the auditor's report on the summary financial statements is later than the date of the auditor's report on the audited financial statements, states a statement that the summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements; and~~

<sup>3</sup> ISA 560, *Subsequent Events*

<sup>4</sup> Paragraphs 17–18, which deal with circumstances where the auditor's report on the audited financial statements has been modified, require additional elements to those listed in this paragraph.

- ~~(h)(iii)~~ Reference to the auditor's report on the audited financial statements, the date of that report, and, subject to paragraphs 17–18, the fact that an unmodified opinion is expressed on the audited financial statements;<sup>5</sup>
- ~~(i)(d)~~ A description of management's<sup>5</sup> responsibility for the summary financial statements, explaining that management<sup>6</sup> is responsible for the preparation of the summary financial statements in accordance with the applied criteria.
- ~~(j)(e)~~ A statement that the auditor is responsible for expressing an opinion on the summary financial statements based on the procedures required by this ISA.
- ~~(k)(g)~~ The auditor's signature.
- ~~(l)(i)~~ The auditor's address.
- ~~(m)(h)~~ The date of the auditor's report. (Ref: Para. A14)
15. If the addressee of the summary financial statements is not the same as the addressee of the auditor's report on the audited financial statements, the auditor shall evaluate the appropriateness of using a different addressee. (Ref: Para. A12)
16. The auditor shall date the auditor's report on the summary financial statements no earlier than: (Ref: Para. A14)
- (a) The date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion, including evidence that the summary financial statements have been prepared and those with the recognized authority have asserted that they have taken responsibility for them; and
- (b) The date of the auditor's report on the audited financial statements.

*Modifications to the Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in Reference to the Auditor's Report on the Audited Financial Statements* (Ref: Para. A16~~15~~)

17. When the auditor's report on the audited financial statements includes ~~contains~~:
- (a) A ~~A~~ qualified opinion in accordance with ISA 705 (Revised);<sup>7</sup>
- (b) An ~~An~~ Emphasis of Matter paragraph, or an Other Matter paragraph in accordance with ISA 706 (Revised);<sup>8</sup>
- (c) A ~~A~~ Material Uncertainty Related to Going Concern section in accordance with ISA 570 (Revised);<sup>9</sup>
- (d) Communication of key audit matters in accordance with ISA 701;<sup>10</sup> or
- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised).<sup>11</sup>

<sup>5</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

<sup>6</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

<sup>7</sup> ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

<sup>8</sup> ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

<sup>9</sup> ISA 570 (Revised), *Going Concern*, paragraph 22

<sup>10</sup> ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

<sup>11</sup> ISA 720 (Revised), *The Auditor's Responsibilities Related to Other Information*, paragraph 22(e)(ii)

but the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial statements, in accordance with the applied criteria, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 14:

(i)(a) State that the auditor's report on the audited financial statements includes contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter paragraph, a *Material Uncertainty Related to Going Concern* section, communication of key audit matters, or a statement that describes an uncorrected material misstatement of the other information; and

(ii)(b) Describe: (Ref: Para. A15)

a.(i) The basis for the qualified opinion on the audited financial statements, and the effect thereof, if any, on the summary financial statements that qualified opinion; or the Emphasis of Matter or the Other Matter paragraph in the auditor's report on the audited financial statements; or and

b.(ii) The Emphasis of Matter, the Other Matter, the material uncertainty related to going concern, or the uncorrected material misstatement of the other information described in the auditor's report on the audited financial statements and the effect(s) thereof, if any, on the summary financial statements, if any.

18. When the auditor's report on the audited financial statements contains an adverse opinion or a disclaimer of opinion, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 14:

(a) State that the auditor's report on the audited financial statements contains an adverse opinion or disclaimer of opinion;

(b) Describe the basis for that adverse opinion or disclaimer of opinion; and

(c) State that, as a result of the adverse opinion or disclaimer of opinion, it is inappropriate to express an opinion on the summary financial statements.

#### *Modified Opinion on the Summary Financial Statements*

19. If the summary financial statements are not consistent, in all material respects, with or are not a fair summary of the audited financial statements, in accordance with the applied criteria, and management does not agree to make the necessary changes, the auditor shall express an adverse opinion on the summary financial statements. (Ref: Para. A1645)

#### **Restriction on Distribution or Use or Alerting Readers to the Basis of Accounting**

20. When distribution or use of the auditor's report on the audited financial statements is restricted, or the auditor's report on the audited financial statements alerts readers that the audited financial statements are prepared in accordance with a special purpose framework, the auditor shall include a similar restriction or alert in the auditor's report on the summary financial statements.

#### **Comparatives**

21. If the audited financial statements contain comparatives, but the summary financial statements do not, the auditor shall determine whether such omission is reasonable in the circumstances of the engagement. The auditor shall determine the effect of an unreasonable omission on the auditor's report on the summary financial statements. (Ref: Para. A1746)



22. If the summary financial statements contain comparatives that were reported on by another auditor, the auditor's report on the summary financial statements shall also contain the matters that ISA 710 requires the auditor to include in the auditor's report on the audited financial statements.<sup>12</sup> (Ref: Para. A1847)

### Unaudited Supplementary Information Presented with Summary Financial Statements

23. The auditor shall evaluate whether any unaudited supplementary information presented with the summary financial statements is clearly differentiated from the summary financial statements. If the auditor concludes that the entity's presentation of the unaudited supplementary information is not clearly differentiated from the summary financial statements, the auditor shall ask management to change the presentation of the unaudited supplementary information. If management refuses to do so, the auditor shall explain in the auditor's report on the summary financial statements that such information is not covered by that report. (Ref: Para. A1948)

### Other Information in Documents Containing Summary Financial Statements

24. The auditor shall read the other information included in a document containing the summary financial statements and related auditor's report to consider whether there is ~~identify a~~ material inconsistency ~~inconsistencies, between the other information and if any, with the summary financial statements.~~ If, ~~on reading the other information,~~ the auditor identifies a material inconsistency, the auditor shall determine whether the summary financial statements or the other information needs to be revised. If, ~~on reading the other information,~~ the auditor becomes aware of an apparent material misstatement of fact, that the other information needs to be revised, the auditor shall discuss the matter with management. (Ref: Para. A2049)

### Auditor Association

25. If the auditor becomes aware that the entity plans to state that the auditor has reported on summary financial statements in a document containing the summary financial statements, but does not plan to include the related auditor's report, the auditor shall request management to include the auditor's report in the document. If management does not do so, the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately associating the auditor with the summary financial statements in that document. (Ref: Para. A2120)
26. The auditor may be engaged to report on the financial statements of an entity, while not engaged to report on the summary financial statements. If, in this case, the auditor becomes aware that the entity plans to make a statement in a document that refers to the auditor and the fact that summary financial statements are derived from the financial statements audited by the auditor, the auditor shall be satisfied that:
- (a) The reference to the auditor is made in the context of the auditor's report on the audited financial statements; and
  - (b) The statement does not give the impression that the auditor has reported on the summary financial statements.

If (a) or (b) are not met, the auditor shall request management to change the statement to meet them, or not to refer to the auditor in the document. Alternatively, the entity may engage the auditor to report on the summary financial statements and include the related auditor's report in the document. If

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<sup>12</sup> ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*

management does not change the statement, delete the reference to the auditor, or include an auditor's report on the summary financial statements in the document containing the summary financial statements, the auditor shall advise management that the auditor disagrees with the reference to the auditor, and the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately referring to the auditor. (Ref: Para. A2120)

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## Application and Other Explanatory Material

### Engagement Acceptance (Ref: Para. 5–6)

- A1. The audit of the financial statements from which the summary financial statements are derived provides the auditor with the necessary knowledge to discharge the auditor's responsibilities in relation to the summary financial statements in accordance with this ISA. Application of this ISA will not provide sufficient appropriate evidence on which to base the opinion on the summary financial statements if the auditor has not also audited the financial statements from which the summary financial statements are derived.
- A2. Management's agreement with the matters described in paragraph 6 may be evidenced by its written acceptance of the terms of the engagement.

### Criteria (Ref: Para. 6(a))

- A3. The preparation of summary financial statements requires management to determine the information that needs to be reflected in the summary financial statements so that they are consistent, in all material respects, with or represent a fair summary of the audited financial statements. Because summary financial statements by their nature contain aggregated information and limited disclosure, there is an increased risk that they may not contain the information necessary so as not to be misleading in the circumstances. This risk increases when established criteria for the preparation of summary financial statements do not exist.
- A4. Factors that may affect the auditor's determination of the acceptability of the applied criteria include:
- The nature of the entity;
  - The purpose of the summary financial statements;
  - The information needs of the intended users of the summary financial statements; and
  - Whether the applied criteria will result in summary financial statements that are not misleading in the circumstances.
- A5. The criteria for the preparation of summary financial statements may be established by an authorized or recognized standards setting organization or by law or regulation. Similar to the case of financial statements, as explained in ISA 210,<sup>13</sup> in many such cases, the auditor may presume that such criteria are acceptable.

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<sup>13</sup> ISA 210, *Agreeing the Terms of Audit Engagements*, paragraphs A3 and A8–A9

- A6. Where established criteria for the preparation of summary financial statements do not exist, criteria may be developed by management, for example, based on practice in a particular industry. Criteria that are acceptable in the circumstances will result in summary financial statements that:
- (a) Adequately disclose their summarized nature and identify the audited financial statements;
  - (b) Clearly describe from whom or where the audited financial statements are available or, if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, that law or regulation;
  - (c) Adequately disclose the applied criteria;
  - (d) Agree with or can be recalculated from the related information in the audited financial statements; and
  - (e) In view of the purpose of the summary financial statements, contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- A7. Adequate disclosure of the summarized nature of the summary financial statements and the identity of the audited financial statements, as referred to in paragraph A6(a), may, for example, be provided by a title such as “Summary Financial Statements Prepared from the Audited Financial Statements for the Year Ended December 31, 20X1.”

**Evaluating the Availability of the Audited Financial Statements** (Ref: Para. 8(g))

- A8. The auditor’s evaluation whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty is affected by factors such as whether:
- The summary financial statements describe clearly from whom or where the audited financial statements are available;
  - The audited financial statements are on public record; or
  - Management has established a process by which the intended users of the summary financial statements can obtain ready access to the audited financial statements.

**Form of Opinion** (Ref: Para. 9)

- A9. A conclusion, based on an evaluation of the evidence obtained by performing the procedures in paragraph 8, that an unmodified opinion on the summary financial statements is appropriate enables the auditor to express an opinion containing one of the phrases in paragraph 9. The auditor’s decision as to which of the phrases to use may be affected by generally accepted practice in the particular jurisdiction.

**Timing of Work and Events Subsequent to the Date of the Auditor’s Report on the Audited Financial Statements** (Ref: Para. 12)

- A10. The procedures described in paragraph 8 are often performed during or immediately after the audit of the financial statements. When the auditor reports on the summary financial statements after the completion of the audit of the financial statements, the auditor is not required to obtain additional audit evidence on the audited financial statements, or report on the effects of events that occurred

subsequent to the date of the auditor's report on the audited financial statements since the summary financial statements are derived from the audited financial statements and do not update them.

## **Auditor's Report on Summary Financial Statements**

### *Elements of the Auditor's Report*

#### Title (Ref: Para. 14(a))

A11. A title indicating the report is the report of an independent auditor, for example, "Report of the Independent Auditor," affirms that the auditor has met all of the relevant ethical requirements regarding independence. This distinguishes the report of the independent auditor from reports issued by others.

#### Addressee (Ref: Para. 14(b), 15)

A12. Factors that may affect the auditor's evaluation of the appropriateness of the addressee of the summary financial statements include the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

#### Introductory Paragraph Identification of the Summary Financial Statements (Ref: Para. 14(c)(i))

A13. When the auditor is aware that the summary financial statements will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the summary financial statements are presented. This helps readers to identify the summary financial statements to which the auditor's report relates.

#### Date of the Auditor's Report (Ref: Para. 14(m), 16)

A14. The person or persons with recognized authority to conclude that the summary financial statements have been prepared and take responsibility for them depend on the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

#### Reference to the Auditor's Report on the Audited Financial Statements (Ref: Para. 17(i))

A15. Paragraph 17(i) of this ISA requires the auditor to include a statement in the auditor's report on the summary financial statements when the auditor's report on the audited financial statements includes communication of one or more key audit matters described in accordance with ISA 701.<sup>14</sup> However, the auditor is not required to describe the individual key audit matters in the auditor's report on the summary financial statements.

#### Illustrations (Ref: Para. 14, 17–18, 19)

A16~~45~~. The Appendix to this ISA contains illustrations of auditors' reports on summary financial statements that variously:

- (a) Contain unmodified opinions;
- (b) Are derived from audited financial statements on which the auditor issued modified opinions;  
~~and~~
- (c) Contain a modified opinion;~~- and~~

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<sup>14</sup> ISA 701, paragraph 13

- (d) Are derived from audited financial statements where the auditor's report thereon includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.

**Comparatives** (Ref: Para. 21–22)

A1746. If the audited financial statements contain comparatives, there is a presumption that the summary financial statements also would contain comparatives. Comparatives in the audited financial statements may be regarded as corresponding figures or as comparative financial information. ISA 710 describes how this difference affects the auditor's report on the financial statements, including, in particular, reference to other auditors who audited the financial statements for the prior period.

A1847. Circumstances that may affect the auditor's determination whether an omission of comparatives is reasonable include the nature and objective of the summary financial statements, the applied criteria, and the information needs of the intended users of the summary financial statements.

**Unaudited Supplementary Information Presented with Summary Financial Statements** (Ref: Para. 23)

A1948. ISA 700 (Revised)<sup>15</sup> contains requirements and guidance to be applied when unaudited supplementary information is presented with audited financial statements that, adapted as necessary in the circumstances, may be helpful in applying the requirement in paragraph 23.

**Other Information in Documents Containing Summary Financial Statements** (Ref: Para. 24)

A2049. ISA 720<sup>10</sup> (Revised) contains requirements and guidance ~~relating~~ regarding the auditor's responsibilities relating to reading other information in a financial statement audit engagement ~~included in a document containing the audited financial statements and related auditor's report, and responding to material inconsistencies and material misstatements of fact.~~ Adapted as necessary in the circumstances, they may be helpful in applying the requirement in paragraph 24.

**Auditor Association** (Ref: Para. 25–26)

A2129. Other appropriate actions the auditor may take when management does not take the requested action may include informing the intended users and other known third-party users of the inappropriate reference to the auditor. The auditor's course of action depends on the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.

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<sup>10</sup> ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*

<sup>15</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraphs 5346–5447

## Appendix

(Ref: Para. A1645)

### Illustrations of Reports on Summary Financial Statements

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which summary financial statements are derived. The auditor's report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.
- Illustration 2: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An unmodified opinion is expressed on the audited financial statements.
- Illustration 3: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. A qualified opinion is expressed on the audited financial statements.
- Illustration 4: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An adverse opinion is expressed on the audited financial statements.
- Illustration 5: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements.

**Illustration 1:**

**Circumstances include the following:**

- **An unmodified opinion is expressed on the audited financial statements of a listed entity.**
- **Established criteria for the preparation of summary financial statements exist.**
- **The auditor’s report on the summary financial statements is dated later than the date of the auditor’s report on the financial statements from which the summary financial statements are derived.**
- **The auditor’s report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section.**
- **The auditor’s report on the audited financial statements includes communication of other key audit matters.<sup>1</sup>**

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS**

[Appropriate Addressee]

**Opinion**

The ~~accompanying~~ summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. ~~We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 20X2. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.~~

In our opinion, the ~~accompanying~~ summary financial statements ~~derived from the audited financial statements of ABC Company for the year ended December 31, 20X1~~ are consistent, in all material respects, with (or a *fair summary of*) those audited financial statements, in accordance with [describe established criteria]. [Opinion paragraph and heading moved up from below]

**Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company. The summary financial statements, and the audited financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements. [Last sentence of this paragraph moved from last sentence in first paragraph in the *Opinion* section and amended slightly for clarity]

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<sup>1</sup> As explained in paragraph 15 of ISA 701, a material uncertainty related to going concern is, by its nature, a key audit matter but is required to be reported in a separate section of the auditor’s report in accordance with paragraph 22 of ISA 570 (Revised).

### **The Audited Financial Statements and Our Report Thereon**

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 15, 20X2. [Moved from penultimate sentence in first paragraph in the *Opinion* section and amended slightly for clarity]That report also includes:

- A *Material Uncertainty related to Going Concern* section that draws attention to Note 6 in the audited financial statements. Note 6 of the audited financial statements indicates that ABC Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, ABC Company's current liabilities exceeded its total assets by YYY. These events or conditions, along with other matters as set forth in Note 6 of the audited financial statements, indicate that a material uncertainty exists that may cast significant doubt on ABC Company's ability to continue as a going concern. These matters are addressed in Note 5 of the summary financial statements.
- The communication of other key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

### **Management's<sup>2</sup> Responsibility for the Summary Financial Statements**

Management is responsible for the preparation of a summary of the audited financial statements in accordance with [describe established criteria].

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

### **Opinion**

~~In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are consistent, in all material respects, with (or a fair summary of) those financial statements, in accordance with [describe established criteria].~~

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

[Date of the auditor's report]

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<sup>2</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction



**Illustration 2:**

**Circumstances include the following:**

- **An unmodified opinion is expressed on the audited financial statements.**
- **Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.**
- **The auditor’s report on the summary financial statements is dated the same as the date of the auditor’s report on the financial statements from which the summary financial statements are derived.**

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS**

[Appropriate Addressee]

**Opinion**

The ~~accompanying~~ summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. ~~We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 20X2.<sup>3</sup>~~

In our opinion, the ~~accompanying~~ summary financial statements ~~derived from the audited financial statements of ABC Company for the year ended December 31, 20X1~~ are consistent, in all material respects, with (or a *fair summary of*) those audited financial statements, on the basis described in Note X. [Opinion paragraph and heading moved up from below]

**Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

**The Audited Financial Statements and Our Report Thereon**

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 15, 20X2. [This sentence moved from last sentence in first paragraph in the *Opinion* section and amended slightly for clarity]

**Management’s<sup>4</sup> Responsibility for the Summary Financial Statements**

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note X.

<sup>3</sup> ~~When the auditor’s report on the summary financial statements is dated later than the date of the auditor’s report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: “Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.”~~

<sup>4</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

**Auditor's Responsibility**

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

**Opinion**

~~In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are consistent, in all material respects, with (or a fair summary of) those financial statements, on the basis described in Note X.~~

~~[Auditor's signature]~~

~~[Date of the auditor's report]~~

~~[Auditor's address]~~

~~[Date of the auditor's report]~~

**Illustration 3:**

**Circumstances include the following:**

- **A qualified opinion is expressed on the audited financial statements.**
- **Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.**
- **The auditor’s report on the summary financial statements is dated the same as the date of the auditor’s report on the financial statements from which the summary financial statements are derived.**

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS**

[Appropriate Addressee]

**Opinion**

The ~~accompanying~~ summary financial statements, which comprise the summary statement of financial position as at December 31, 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1.<sup>5</sup> We expressed a qualified audit opinion on those financial statements in our report dated February 15, 20X2 (see below).

In our opinion, the ~~accompanying~~ summary financial statements ~~derived from the audited financial statements of ABC Company for the year ended December 31, 20X1~~ are consistent, in all material respects, with (or a fair summary of) those audited financial statements, on the basis described in Note X. However, the summary financial statements are misstated to the equivalent extent as the audited financial statements of ABC Company for the year ended December 31, 20X1. [Opinion paragraph and heading moved up from below]

**Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.]

**The Audited Financial Statements and Our Report Thereon**

The misstatement of the audited financial statements is described in our qualified audit opinion in our report dated February 15, 20X2. Our qualified audit opinion is based on the fact that the company’s inventories are carried in the statement of financial position in those financial statements at xxx. Management has not stated the inventories at the lower of cost and net realizable value but has stated them solely at cost, which constitutes a departure from International Financial Reporting Standards. The company’s records indicate that had management stated the inventories at the lower of cost and net realizable value, an amount of xxx would have been required to write the inventories down to their net

<sup>5</sup>—When the auditor’s report on the summary financial statements is dated later than the date of the auditor’s report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: “Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.”

realizable value. Accordingly, cost of sales would have been increased by xxx, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively. Our qualified audit opinion states that, except for the effects of the described matter, those financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ABC Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards. [This paragraph moved up from the *Opinion* section below]

### **Management's<sup>6</sup> Responsibility for the Summary Financial Statements**

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note X.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

### **Opinion**

~~In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are consistent, in all material respects, with (or a fair summary of) those financial statements, on the basis described in Note X. However, the summary financial statements are misstated to the equivalent extent as the audited financial statements of ABC Company for the year ended December 31, 20X1.~~

~~The misstatement of the audited financial statements is described in our qualified audit opinion in our report dated February 15, 20X2. Our qualified audit opinion is based on the fact that the company's inventories are carried in the statement of financial position in those financial statements at xxx. Management has not stated the inventories at the lower of cost and net realizable value but has stated them solely at cost, which constitutes a departure from International Financial Reporting Standards. The company's records indicate that had management stated the inventories at the lower of cost and net realizable value, an amount of xxx would have been required to write the inventories down to their net realizable value. Accordingly, cost of sales would have been increased by xxx, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively. Our qualified audit opinion states that, except for the effects of the described matter, those financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ABC Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.~~

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

[Date of the auditor's report]

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<sup>6</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

**Illustration 4:**

**Circumstances include the following:**

- **An adverse opinion is expressed on the audited financial statements.**
- **Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.**
- **The auditor’s report on the summary financial statements is dated the same as the date of the auditor’s report on the financial statements from which the summary financial statements are derived.**

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS**

[Appropriate Addressee]

**Denial of Opinion**

The ~~accompanying~~ summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1.<sup>7</sup>

Because of the significance of the matter discussed in *The Audited Financial Statements and our Report Thereon* section of our report ~~above~~, it is inappropriate to express an opinion on the ~~accompanying~~ summary financial statements of ABC Company for the year ended December 31, 20X1. [Opinion paragraph and heading moved up from below]

**Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

**The Audited Financial Statements and Our Report Thereon**

In our report dated February 15, 20X2, we expressed an adverse audit opinion on the audited financial statements of ABC Company for the year ended December 31, 20X1. The basis for our adverse audit opinion was [describe basis for adverse audit opinion]. Our adverse audit opinion stated that [describe adverse audit opinion]. [Moved from *Denial of Opinion* section below and amended slightly for clarity]

**Management’s<sup>8</sup> Responsibility for the Summary Financial Statements**

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note X.

<sup>7</sup> ~~When the auditor’s report on the summary financial statements is dated later than the date of the auditor’s report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: “Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.”~~

<sup>8</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

**Auditor's Responsibility**

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

**Denial of Opinion**

~~In our report dated February 15, 20X2, we expressed an adverse audit opinion on the financial statements of ABC Company for the year ended December 31, 20X1. The basis for our adverse audit opinion was [describe basis for adverse audit opinion]. Our adverse audit opinion stated that [describe adverse audit opinion].~~

~~Because of the significance of the matter discussed above, it is inappropriate to express an opinion on the summary financial statements of ABC Company for the year ended December 31, 20X1.~~

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

[Date of the auditor's report]

**Illustration 5:**

**Circumstances include the following:**

- **An unmodified opinion is expressed on the audited financial statements.**
- **Established criteria for the preparation of summary financial statements exist.**
- **The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements.**
- **The auditor’s report on the summary financial statements is dated the same as the date of the auditor’s report on the financial statements from which the summary financial statements are derived.**

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS**

[Appropriate Addressee]

**Adverse Opinion**

The ~~accompanying~~ summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. ~~We expressed an unmodified audit opinion on these financial statements in our report dated February 15, 20X2.~~<sup>9</sup>

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* section~~paragraph~~, the accompanying summary financial statements ~~referred to above~~ are not consistent with (or a *fair summary of*) the audited financial statements of ABC Company for the year ended December 31, 20X1, in accordance with [describe established criteria]. [Adverse opinion paragraph and heading moved up from below]

**Basis for Adverse Opinion**

[Describe matter that caused the summary financial statements not to be consistent, in all material respects, with (or a *fair summary of*) the audited financial statements, in accordance with the applied criteria.] [Moved the *Basis for Adverse Opinion* section up from below]

**Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

**The Audited Financial Statements and Our Report Thereon**

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 15, 20X2. [Moved from last sentence in first paragraph above and amended slightly for clarity]

<sup>9</sup>—When the auditor’s report on the summary financial statements is dated later than the date of the auditor’s report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: “Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.”

## Management's<sup>10</sup> Responsibility for the Summary Audited Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with [describe established criteria].

## Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

## ~~Basis for Adverse Opinion~~

~~[Describe matter that caused the summary financial statements not to be consistent, in all material respects, with (or a fair summary of) the audited financial statements, in accordance with the applied criteria.]~~

## ~~Adverse Opinion~~

~~In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the summary financial statements referred to above are not consistent with (or a fair summary of) the audited financial statements of ABC Company for the year ended December 31, 20X1, in accordance with [describe established criteria].~~

~~[Auditor's signature]~~

~~[Date of the auditor's report]~~

~~[Auditor's address]~~

~~[Date of the auditor's report]~~

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<sup>10</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction



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### IAASB Proposes Changes for Reporting on Summary Financial Statements

The International Auditing and Assurance Standards Board® (IAASB®) today released an Exposure Draft proposing changes to International Standard on Auditing™ (ISA™) 810, Engagements to Report on Summary Financial Statements (<https://www.ifac.org/publications-resources/proposed-international-standard-auditing-isa-810-revised>). ISA 810 deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs by that same auditor. The IAASB is proposing limited conforming amendments to ISA 810 as a result of the issuance of its new and revised Auditor Reporting standards (<https://www.ifac.org/publications-resources/reporting-audited-financial-statements-new-and-revised-auditor-reporting-standards> utm\_source=IFAC+Main+List&utm\_campaign=90b0f392d9-IAASB\_Press\_Release\_8\_3\_158\_3\_2015&utm\_medium=email&utm\_term=0\_cc08d67019-90b0f392d9-#node-32595), which address auditor reporting on general purpose financial statements.

"In light of its overall efforts to enhance auditor reporting, the IAASB believes it is also in the public interest to provide users of summary financial statements with greater transparency in circumstances when additional information, such as key audit matters, are communicated in the related auditor's report on the audited financial statements," explained Prof. Arnold Schilder, IAASB Chairman. "The proposed changes to ISA 810 represent a balanced approach considering the objective of an engagement to report on summary financial statements and the report that is required to be issued."

"The board's approach also recognizes that the manner in which summary financial statements are prepared and presented may vary on a national basis depending on the criteria used, and therefore national auditing standard setters may further tailor ISA 810 in their jurisdictions," noted Kathleen Healy, IAASB Technical Director. "The board is therefore particularly interested in hearing from stakeholders in those jurisdictions where ISA 810 reports are frequently issued to understand whether its proposed changes will be capable of being implemented and would be expected to benefit users of these reports."

The IAASB has issued its proposals with a 90-day comment period in order to finalize them on a timely basis and align the effective date of ISA 810 (Revised) with the effective date of the new and Revised Auditor Reporting Standards (i.e., for audits of financial statements for periods ending on or after December 15, 2016).

#### How to Comment

The IAASB invites all stakeholders to respond to this Exposure Draft (<https://www.ifac.org/publications-resources/proposed-international-standard-auditing-isa-810-revised>), which includes specific questions for respondents on key aspects of the proposals and highlights areas of focus for various stakeholders in responding to the Exposure Draft. To access the Exposure Draft and submit a comment, visit the IAASB's website at [www.iaasb.org](http://www.iaasb.org) (<http://www.ifac.org/auditing-assurance/>). Comments on the Exposure Draft are requested by **November 2, 2015**.

#### About the International Auditing and Assurance Standards Board (IAASB)

The IAASB (<http://ifac.us7.list-manage2.com/track/click?u=9e7d9671563ff754a328b2833&id=27acff55e5&e=1e0c37a7ce>) develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC).

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