Objective of Agenda Item
1. To approve as final standards:
   (a) Proposed ISA 800 (Revised and Redrafted), “Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks;”
   (b) Proposed ISA 805 (Revised and Redrafted), “Special Considerations—Audits of Single Financial Statements, Accounts or Items of a Financial Statement;” and
   (c) Proposed ISA 810 (Revised and Redrafted), “Engagements to Report on Summary Financial Statements.”

Task Force
2. The Task Force members are:
   Sylvia Smith – Chair, IAASB Technical Advisor
   Susan Jones – Member, IAASB Member

Activities since Last IAASB discussions
3. As noted at the June IAASB meeting, significant comments received on the exposure drafts of proposed ISA 800 (Revised and Redrafted)\(^1\) and proposed ISA 805 (Revised and Redrafted)\(^2\) were discussed at the March 3-4 IAASB Consultative Advisory Group (CAG) meeting. The IAASB CAG Representatives did not have significant comments on the matters highlighted for their consideration.

4. The minutes of the June IAASB meeting summarize the comments raised by the IAASB members. Subsequent to the June IAASB meeting, the Task Force considered the comments raised by the IAASB members on June 20. During July/August, the IAASB members were

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\(^1\) Proposed ISA 800 (Revised and Redrafted), “Special Considerations—Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement.”
asked to review proposed changes to the ISAs based on those comments. A few responses were received. Overall, respondents were supportive of the proposed changes.

5. One IAASB member, however, indicated that he did not agree with many aspects of proposed ISA 810 (Revised and Redrafted) and intended to vote against it on the bases that: (a) the standard is unnecessarily complex in the context of existing legal requirements in some countries; (b) the standard should not be classified as an ISA; and (c) there is a danger that the existence of the standard will cause confusion as to the nature of the work of an auditor on prospectuses.

6. Some of the more significant comments raised by IAASB members during July/August are included in this paper. A compilation of all the comments and how the Task Force has dealt with them are set out in Agenda Item 11-F.

7. The proposed ISAs in Agenda Items 11-A, 11-B and 11-C show in marked text the proposed changes to the June 20 IAASB drafts. Those changes take into account the comments received from IAASB members during July/August.

Matters for Consideration by the IAASB

A. ISA 805 (REvised AND Redrafted)

A.1 Effective Date, Paragraph 4

8. On June 20, the IAASB agreed that proposed ISA 805 (Revised and Redrafted) should not state a separate effective date for audits of single financial statements or of specific elements, accounts or items of a financial statement prepared as at a specific date. It was suggested that the Basis for Conclusions explain how the effective date paragraph should be applied in these cases. The Task Force was concerned that users of ISAs may not in all instances read the Basis for Conclusions. The Basis for Conclusions may also not be made available by national standard setters that adopt ISAs. As a result, the Task Force proposes that a simplified version of the text presented to the IAASB on June 20 be included in paragraph 4 of the ISA. The matter may also be elaborated on in the Basis for Conclusions.

A.2 Adverse / Disclaimer of Opinion on the Entity’s Complete Set of Financial Statements as a Whole, Paragraphs 16-18

9. An IAASB member was concerned that proposed ISA 805 (Revised and Redrafted) may be seen as applying to “split opinions” (as provided for in ISA 510 (Redrafted)3). This member suggested that “split opinions” should be “carved out” in the Scope of this ISA section; or, at a minimum, that application material, referring to ISA 510 (Redrafted) and explaining that “split opinions” are permitted, be added. Another IAASB member suggested that paragraphs 16-18 of proposed ISA 805 (Revised and Redrafted) be restructured to enhance their flow.

10. The requirements and related application material have been revised to clarify the link to ISA 705 (Revised and Redrafted),4 and ISA 510 (Redrafted).

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3 ISA 510 (Redrafted), “Initial Audit Engagements—Opening Balances.”

4 ISA 705 (Revised and Redrafted), “Modifications to the Opinion in the Independent Auditor’s Report.”
11. In accordance with ISA 705 (Revised and Redrafted), if the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity’s complete set of financial statements as a whole, the auditor’s report shall not also include an unmodified opinion with respect to the same financial reporting framework on a single financial statement or a specific element, account or item of a financial statement. To include such an unmodified opinion in the same auditor’s report in these circumstances would contradict the auditor’s adverse opinion or disclaimer of opinion on the entity’s complete set of financial statements as a whole.

12. ISA 510 (Redrafted) permits the auditor to express a disclaimer of opinion regarding the results of operations and cash flows, where relevant, and an unmodified opinion regarding the financial position. In this case, the auditor has not expressed a disclaimer of opinion on the entity’s complete set of financial statements as a whole.

13. Proposed ISA 805 (Revised and Redrafted) deals with circumstances where the auditor is engaged to express a separate opinion on a single financial statement or on a specific element, account or item of a financial statement. Paragraph 17 of proposed ISA 805 (Revised and Redrafted) permits the auditor to express an unmodified opinion on a specific element, account or item of a financial statement, if appropriate, even if the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the complete set of financial statements as a whole; however, that opinion shall (a) be expressed in an auditor’s report that is not published together with the auditor’s report containing the adverse opinion or disclaimer of opinion, (b) the specific element, account or item should not constitute a major portion of the complete set of financial statements, and (c) the auditor should not be prohibited by law or regulation from doing so. In accordance with paragraph 18 of proposed ISA 805 (Revised and Redrafted), the auditor is not permitted to express an unmodified opinion on a single financial statement included in a complete set of financial statements if the auditor has expressed an adverse opinion or disclaimed an opinion on the complete set of financial statements as a whole. This is because a single financial statement is deemed to constitute a major portion of those financial statements.

14. Paragraph A18 of proposed ISA 805 (Revised and Redrafted) explains that the expression of a disclaimer of opinion regarding the results of operations and cash flows, where relevant, and an unmodified opinion regarding the financial position is permitted since the disclaimer of opinion is being issued in respect of the results of operations and cash flows only and not in respect of the complete set of financial statements as a whole. Footnote 23 contains a cross reference to ISA 510 (Redrafted).

15. The Task Force is of the view that paragraphs 16-18 and A18 are sufficient and clear. The Task Force did not accept the suggestion to restructure the paragraphs.

A.3 “Explicitly or Implicitly,” Paragraph A9

16. The first bullet of paragraph A9 of proposed ISA 805 (Revised and Redrafted) reads as follows: “Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation of a complete set of financial statements.” On June 20, the IAASB agreed that the reference to “explicitly or implicitly” should be deleted. The Task Force is of the view that the reference aids clarity and proposes that it be retained.
B. ISA 810 (REVISED AND REDRAFTED)

B.1 Nature of Procedures, Paragraph 8(f)

17. The Task Force noted an inconsistency between paragraph 8(f) of proposed ISA 810 (Revised and Redrafted), which deals with the nature of the auditor’s procedures, and paragraph A6(e), which describes the characteristics of summary financial statements that are prepared in accordance with acceptable criteria. In addition, an IAASB member suggested that these paragraphs refer to “an appropriate level of aggregation.”

18. As a result, paragraph 8(f) has been amended as follows: “Evaluate, in view of the applied criteria 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.”

B.2 Subsequent Events

19. An IAASB member felt strongly that there should be some obligation on the auditor to consider events between the date of the auditor’s report on the audited financial statements and the date of the auditor’s report on the summary financial statements. The IAASB member noted that it is not in the public interest to ignore such events. It was also noted that summary financial statements sometimes are included in documents relating to securities offered to the public. The IAASB member was not sure that it is appropriate for the auditor to ignore matters that may be relevant to potential investors. Recognizing that this extends the auditor’s obligations beyond the date of the auditor’s report on the audited financial statements, It was suggested that, when accepting an engagement to report on summary financial statements, the auditor consider the purpose for which the summary financial statements are prepared. This would include considering whether the period between the auditor’s report on the audited financial statements and the proposed date of the auditor’s report on the summary financial statements is too long for the auditor to believe that it is in the public interest to issue a report on the summary financial statements.

20. Extant ISA 800\(^5\) does not contain requirements or guidance on events subsequent to the date of the auditor’s report on the audited financial statements. The requirements and guidance appear in the exposure draft of proposed ISA 800 (Revised)\(^6\) (issued June 2005) and the Close Off Document: ISA 805 (Revised)\(^7\) (dated December 2006). The matter raised by the IAASB member was not raised in the responses to the exposure draft of proposed ISA 800 (Revised). At the time, one respondent noted that it agreed with the requirements and guidance, but asked that the IAASB consider providing guidance, or a reference to guidance, for situations when the auditor becomes aware of events after the date of the auditor’s report. This was interpreted as events after the date of the auditor’s report on the audited financial statements and the following guidance was included in the Close Off Document of ISA 805 (Revised): “Any facts

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\(^5\) Extant ISA 800, “The Independent Auditor’s Report on Special Purpose Audit Engagements.”


discovered by the auditor after the date of the auditor’s report on the audited financial statements are considered in the context of those financial statements in accordance with ISA 560, ‘Subsequent Events.’”

21. A few comments were received on the related requirements and guidance in the exposure draft of proposed ISA 805 (Revised and Redrafted) (issued November 2007). They included suggestions on how to improve the requirements and guidance; they did not address the matter raised by the IAASB member.

22. In June the Task Force reported to the IAASB that two final redrafted ISAs refer to documents relating to securities offered to the public; that is, ISA 560 (Redrafted) and ISA 720 (Redrafted). The Task Force indicated that it did not consider it necessary to exclude specifically from the scope of the ISA engagements to report on summary financial statements included in documents relating to securities offered to the public. The Task Force agreed with respondents to the exposure draft that it should be left to regulators and others to decide whether the ISA meets their needs. The Task Force therefore recommended that the sentence not be reinstated. The IAASB agreed with the Task Force’s recommendation.

23. The Task Force is of the view that the requirements and guidance in proposed ISA 810 (Revised and Redrafted) are appropriately linked to the requirements and guidance in ISA 560 (Redrafted); and are based on the fact that the summary financial statements are a summary of the audited financial statements, and nothing more. Further, the Introductory paragraph of the auditor’s report on the summary financial statements contains a statement that warns users that the audited financial statements and summary financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor’s report on the financial statements.

24. Based on the above, the Task Force recommends that proposed ISA 810 (Revised and Redrafted) is not amended at this stage to address the matter raised by the IAASB member.

C. CONSIDERATION OF THE NEED TO RE-EXPOSE

25. Agenda Items 11-D and 11-E show in marked text the changes processed to the exposure draft of proposed ISA 800 (Revised and Redrafted) and proposed ISA 805 (Revised and Redrafted). The Task Force is of the view that the changes are in response to matters raised by respondents to the exposure draft. They do not introduce new principles or represent other changes of substances when compared with the exposure draft. Accordingly, the Task Force is of the view that re-exposure is not necessary.

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9 ISA 560 (Redrafted), “Subsequent Events.”
10 ISA 720 (Redrafted), “The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements.”
11 IAASB Working Procedures regarding re-exposure state: “Situations that constitute potential grounds for a decision to re-expose may include, for example: substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the IAASB before it reaches a final conclusion; substantial change arising from matters not previously deliberated by the IAASB; or substantial change to the substance of an International Standard or Practice Statement.”
Material Presented

Agenda Item 11-A (Page 2331 - 2346) Proposed ISA 800 (Revised and Redrafted) – Marked from June 20 IAASB Draft

Agenda Item 11-B (Page 2347 - 2364) Proposed ISA 805 (Revised and Redrafted) – Marked from June 20 IAASB Draft

Agenda Item 11-C (Page 2365 - 2390) Proposed ISA 810 (Revised and Redrafted) – Marked from June 20 IAASB Draft

Agenda Item 11-D (Pages 2391 - 2430) Proposed ISA 800 (Revised and Redrafted) and proposed ISA 805 (Revised and Redrafted) – Marked from Exposure Draft

Agenda Item 11-E (Pages 2431 - 2458) Proposed ISA 810 (Revised and Redrafted) – Marked from Exposure Draft

Agenda Item 11-F (Pages 2459 - 2468) Comments Received from IAASB Members during July/August

Action Requested

26. The IAASB is asked to approve as final standards:
   (a) Proposed ISA 800 (Revised and Redrafted);
   (b) Proposed ISA 805 (Revised and Redrafted); and
   (c) Proposed ISA 810 (Revised and Redrafted).