(MARKED FROM EXPOSURE DRAFT)

PROPOSED INTERNATIONAL STANDARD ON AUDITING 805 810

(REVISED AND REDRAFTED)

ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS

(Effective for engagements for periods beginning on or after [date] December 15, 2009)

CONTENTS

<table>
<thead>
<tr>
<th>Paragraph</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
</tr>
<tr>
<td>Scope of this ISA</td>
</tr>
<tr>
<td>Effective Date</td>
</tr>
<tr>
<td>Objective</td>
</tr>
<tr>
<td>Definitions</td>
</tr>
<tr>
<td>Requirements</td>
</tr>
<tr>
<td>Engagement Acceptance</td>
</tr>
<tr>
<td>Nature of Procedures and Form of Opinion</td>
</tr>
<tr>
<td>Form of Opinion</td>
</tr>
<tr>
<td>Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Statements</td>
</tr>
<tr>
<td>Restriction on Use or Distribution or Use or Alerting Readers to the Basis of Accounting</td>
</tr>
<tr>
<td>Comparatives</td>
</tr>
<tr>
<td>Unaudited Supplementary Information Presented with Summary Financial Statements</td>
</tr>
<tr>
<td>Other Information in Documents Containing Summary Financial Statements</td>
</tr>
<tr>
<td>Auditor Association</td>
</tr>
<tr>
<td>Application and Other Explanatory Material</td>
</tr>
</tbody>
</table>

*See footnote 1.*
Engagement Acceptance ................................................................. A1-A7
Evaluating the Availability of the Audited Financial Statements .......... A8
Form of Opinion ............................................................................... A9

Timing of Work and Events Subsequent to the Date of the Auditor’s Report
on the Audited Financial Statements ............................................. A9-A10
Auditor’s Report on Summary Financial Statements ....................... A11-A17
Comparatives .......................................................... A1816-A1917

Unaudited Supplementary Information Presented with Summary
Financial Statements ................................................................. A20-A24
Other Information in Documents Containing Summary Financial Statements ...... A19
Auditor Association ........................................................................ A22-A20

Appendix: Illustrations of Reports on Summary Financial Statements

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor’s responsibilities when undertaking an engagements to report on summary financial statements derived from financial statements audited in accordance with the ISAs by the same auditor that is engaged to report on the summary financial statements.

Effective Date

2. This ISA is effective for engagements for periods beginning on or after December 15, 2009.

Objective

43. The objectives of the auditor are to:

   (a) Determine whether it is appropriate to accept the engagement to report on summary financial statements;

   (b) Form an opinion on the summary financial statements based on an evaluation of the conclusions drawn from the evidence obtained; and

   (c) Express an clearly that opinion through a written report that also describes the basis for that opinion whether the summary financial statements are a fair summary of the audited financial statements in accordance with the applied criteria.

Definitions

34. For purposes of this ISA, the following terms have the meanings attributed below:

   (a) Applied criteria – The criteria applied by management in preparing and presenting the preparation of the summary financial statements.

   (b) Audited financial statements – The financial statements, audited by the auditor in accordance with the ISAs, and from which the summary financial statements are derived.

   (b)(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. Although different jurisdictions may use different terminology to describe such historical financial information that

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1. This date will not be earlier than December 15, 2008.

2. ISA 200 (Revised and Redrafted), “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.”

3. ISA 200 (Revised and Redrafted), paragraph 13(f).
is a summary of financial statements, for purposes of this ISA they are referred to as “summary financial statements.”

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 summary financial statements are derived from financial statements on which the auditor has issued an auditor’s report in accordance with the ISAs. (Ref: Para. A1)

6. Before accepting an engagement to report on summary financial statements, the auditor shall request management to:

(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) Acknowledge its responsibility for preparing and presenting the preparation of the summary financial statements in accordance with the applied criteria;
   (ii) Unless the circumstances in paragraph 8 apply, confirm that the audited financial statements will be made 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) Confirm that the auditor’s report on the summary financial statements in any document containing that contains the summary financial statements and that indicates that the auditor has reported on them will include the auditor’s report.
(c) Agree with management the form of opinion to be expressed on the summary financial statements (see paragraphs 9-11).

7. If management refuses to provide either the acknowledgement or confirmations. 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 prohibits the auditor from declining an engagement to report on summary financial statements to do so. An engagement conducted in accordance with such law or regulation does not comply with this ISA. When law or regulation prohibits the auditor from declining such an engagement. 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.

(a) Disclaim an opinion on the summary financial statements in the case of paragraph 6(a); or

(b) Consider seeking legal advice to assist in determining the appropriate course of action if the circumstances in paragraph 6(b) or (c) arise. (See paragraphs 25-26.)

The auditor shall also determine the effect that management’s refusal this may have on the auditor’s acceptance of the engagement to audit the financial statements from which the summary financial statements are derived.

8. In some jurisdictions, law or regulation may provide that the audited financial statements need not be made available to the intended users of the summary financial statements. In such cases, the auditor shall accept an engagement to report on summary financial statements only if the law or regulation establishes the criteria for preparing and presenting the summary financial statements, unless law or regulation prohibits the auditor from declining such an engagement. When law or regulation prohibits the auditor from declining such an engagement, the auditor’s report on the summary financial statements shall not indicate that the engagement was conducted in accordance with ISAs.

Criteria

9. The auditor shall accept an engagement to report on summary financial statements only when the auditor concludes that the applied criteria are acceptable in the circumstances, unless law or regulation prohibits the auditor from declining such an engagement. When law or regulation prohibits the auditor from declining such an engagement, the auditor shall modify the auditor’s report on the summary financial statements appropriately. (Ref: Para. A3-A7)

Nature of Procedures and Form of Opinion

118. 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) In the circumstances addressed in paragraph 8, 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, 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.

(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 and presented in accordance with the applied criteria.

(f) Evaluate, in view of the applied criteria, the purpose of the summary financial statements, evaluate 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) Unless the circumstances in paragraph 8 apply, 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

129. Based on the procedures in paragraph 11, and any other procedures that the auditor may consider necessary in the circumstances, when the auditor shall form has concluded that an unmodified opinion whether 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. In some cases, if law or regulation may prescribe the wording of the opinion on summary financial statements in terms that are significantly different from the requirements of this ISA those described in paragraph 9, in such cases, the auditor shall:

(a) Apply the procedures described in paragraph 11 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 audit engagement, unless prohibited by law or regulation, from doing so. When law or regulation prohibits the auditor from declining such 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

13. 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. A910)

14. 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 (Redrafted), “Subsequent Events” has been completed. (Ref: Para. A10)

Auditor’s Report on Summary Financial Statements

Elements of the Auditor’s Report

15. The auditor’s report on summary financial statements, derived from audited financial statements on which an unmodified opinion is expressed, shall include the following elements: (Ref: Para. A15)

(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:

(i) Identifies 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)

(ii) Identifies the audited financial statements;

4 ISA 560 (Redrafted), “Subsequent Events.”

5 Paragraphs 18-19 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.
(iii) Refers 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;

(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 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

(v) A statement, or reference to a note in the summary financial statements, indicating that they summary financial statements do not contain all the disclosures required by the financial reporting framework applied in preparing and presenting the preparation of the audited financial statements, and that reading the summary financial statements is not a substitute for reading the audited financial statements.

(d) A description of management’s responsibility for preparing and presenting the summary financial statements, explaining that management is responsible for the preparation of the summary financial statements in accordance with the applied criteria.

(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.

(f) A paragraph clearly expressing an opinion whether the summary financial statements are a fair summary of the audited financial statements in accordance with the applied criteria or, in the circumstances described in paragraph 10, a paragraph clearly expressing the opinion prescribed by law or regulation (see paragraphs 9-11).

(g) The auditor’s signature.

(h) The date of the auditor’s report. (Ref: Para. A14)

(i) The auditor’s address.

1615. Normally—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. If this is not the case, the auditor shall evaluate the appropriateness of using a different addressee. (Ref: Para. A12)

1716. 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

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6 Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.
7 Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.
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. Sufficient appropriate evidence shall include evidence that the summary financial statements have been prepared and that management has asserted that it has taken responsibility for them.

**Modifications to the Opinion, Emphasis of Matter Paragraph or Other Matter(ies) Paragraph in the Auditor’s Report on the Audited Financial Statements** (Ref: Para. A4615)

4817. When the auditor’s report on the audited financial statements contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter(ies) paragraph, 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 15.14:

(a) State that the auditor’s report on the audited financial statements contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter(ies) paragraph; and

(b) Describe:

(i) The basis for the qualified opinion on the audited financial statements, and that qualified opinion; or the Emphasis of Matter or the Other Matter(ies) paragraph in the auditor’s report on the audited financial statements; and

(ii) The effect thereof on the summary financial statements, if any.

4918. 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 15.14:

(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 would be inappropriate to express an opinion on the summary financial statements.

**Modified Opinion on the Summary Financial Statements**

2019. 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. A4715)
Restriction on Use or Distribution or Use or Alerting Readers to the Basis of Accounting

When the use or distribution 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 restrict use or distribution of include a similar restriction or alert in the auditor’s report on the summary financial statements accordingly.

Comparatives (Ref: Para. A18-A19)

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. A16)

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 [proposed] ISA 710 (Redrafted) requires the auditor to included in the auditor’s report on the audited financial statements in compliance with ISA 710, “Comparatives.” (Ref: Para. A17)

Unaudited Supplementary Information Presented with Summary Financial Statements

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 does not clearly differentiate it sufficiently from the summary financial statements, the auditor shall ask management to change how the presentation of the unaudited supplementary information is presented. If management refuses to do so, the auditor shall explain in the auditor’s report on the summary financial statements that the supplementary information is not covered by the report. (Ref: Para. A20-A24 A18)

Other Information in Documents Containing Summary Financial Statements

The auditor shall read other information included in a document containing the summary financial statements and related auditor’s report to identify material inconsistencies, 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, the auditor shall discuss the matter with management. (Ref: Para. A19)

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8 [Proposed] ISA 710 (Redrafted), “Comparative Information—Corresponding Figures and Comparative Financial Statements.”
Auditor Association

2625. If the auditor has reported on summary financial statements and 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. A2220)

2526. The auditor may be engaged to report on the audited financial statements of an entity, but 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 audited 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 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. A2220)

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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 acknowledgement and confirmation of agreement with the matters described in paragraph 6 may be evidenced by its written acceptance of the terms of the engagement.

Criteria (Ref: Para. 9(a))

A3. Management is responsible for determining the determination of 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 preparing and presenting 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 preparing and presenting 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 [proposed] ISA 210 (Redrafted), “Terms of Audit Engagements,” in many such cases, the auditor may presume that such criteria are acceptable.

A6. Where established criteria for preparing and presenting 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, in the circumstances addressed in paragraph 8 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, the that law or regulation

that specifies that the audited financial statements need not be made available to the intended users of the summary financial statements;

(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. A8)

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. Having agreed the form of opinion with management (see paragraph 6(c)), it is not appropriate to change the form of opinion in the belief that a different form may avoid the need for a modified opinion.

Timing of Work and Events Subsequent to the Date of the Auditor’s Report on the Audited Financial Statements (Ref: Para. 13-14)

A910. The procedures described in paragraph 8 are often performed during or immediately after the audit of the financial statements. When the auditor is requested to report 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.

A10. Prior to issuing the report on the summary financial statements, 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 was previously unaware. In such cases, the auditor considers such facts in relation to the audited financial statements in accordance with [proposed] ISA 560 (Redrafted). The auditor does not issue the report on the summary financial statements until such consideration has been completed, since it would be inappropriate to issue summary financial statements if the possibility of adjustment to the audited financial statements was under consideration.

Auditor’s Report on Summary Financial Statements

Elements of the Auditor’s Report

Title (Ref: Para. 45 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. 45 14(b), 16 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 (Ref: Para. 45 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. 45 14(h), 47 16)

A14. The summary financial statements are the responsibility of management. The auditor therefore is not in a position to conclude that sufficient appropriate evidence has been obtained until evidence is obtained that the preparation of the summary financial statements has been completed and management has asserted that it has taken responsibility for them. The person or persons with recognized authority to provide such an assertion 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.
Illustrations (Ref: Para. 14_17-18,19_)

A15. The Appendix to this ISA contains illustrations of auditors’ reports on summary financial statements that:

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

Modifications to the Opinion, Emphasis of Matter Paragraph or Other Matter(s) Paragraph in the Auditor’s Report on the Audited Financial Statements (Ref: Para. 18-19)

A16. The Appendix to this ISA contains illustrations of auditors’ reports on summary financial statements derived from audited financial statements on which the auditor issued modified opinions.

Modified Opinion on the Summary Financial Statements (Ref: Para. 20)

A17. The Appendix to this ISA contains an illustration of an auditor’s report with a modified opinion on the summary financial statements.

Comparatives (Ref: Para. 21-22-23)

A18. There is a presumption that if the audited financial statements contain comparatives, 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. [Proposed] ISA 710 (Redrafted) 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.

A19. 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. 24-23)

A20. [Proposed] ISA 700 (Redrafted), “The Independent Auditor’s Report on General Purpose Financial Statements” 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.

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

A19. ISA 720 (Redrafted)\textsuperscript{11} contains requirements and guidance relating to reading other information 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.

A21. The fact that supplementary information is unaudited does not relieve the auditor of the responsibility to read that information to identify material inconsistencies with the summary financial statements in accordance with [proposed] ISA 720 (Redrafted), “The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements.”

Auditor Association (Ref: Para. 25-26)

A2220 Other appropriate actions the auditor may take when management does not take the requested action (see paragraphs 25-26) 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.

\textsuperscript{11} ISA 720 (Redrafted), “The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements.”
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.

- 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.
- Established criteria for preparing and presenting 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.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

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.

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in preparing and presenting 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.

Management’s Responsibility for the Summary Financial Statements

Management is responsible for preparing and presenting 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) 805 810 (Revised and Redrafted), “Engagements to Report on Summary Financial Statements.”

Opinion

12 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 the auditor’s report on those financial statements.”

13 Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.
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]
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.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

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, 20X2.14

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in preparing and presenting 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.

Management’s Responsibility for the Summary Financial Statements
Management is responsible for preparing and presenting 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) 805 810 (Revised and Redrafted), “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.

14 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 the auditor’s report on those financial statements.”

15 Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.
[Auditor’s signature]
[Date of the auditor’s report]
[Auditor’s address]
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.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

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.\(^{16}\) We expressed a qualified audit opinion on those financial statements in our report dated February 15, 20X2 (see below).

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in preparing and presenting 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.

Management’s Responsibility for the Summary Financial Statements

Management is responsible for preparing and presenting 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) 805 810 (Revised and Redrafted), “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.

\(^{16}\) 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 the auditor’s report on those financial statements.”

\(^{17}\) Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.
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 balance sheet 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 of 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]
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.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

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, 20X1.18

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in preparing and presenting 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.

Management’s Responsibility for the Summary Financial Statements

Management is responsible for preparing and presenting 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 and Redrafted), “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].

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18 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 the auditor’s report on those financial statements.”

19 Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.
Because of the significance of the matter discussed above, it would be 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]
Illustration 5:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial statements.
- Established criteria for preparing and presenting 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.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

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, 20X5.  

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in preparing and presenting 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.

Management’s Responsibility for the Summary Audited Financial Statements

Management is responsible for preparing and presenting 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) 805 810 (Revised and Redrafted), “Engagements to Report on Summary Financial Statements.”

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20 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 the auditor’s report on those financial statements.”

21 Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.
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]