

## ISA 810—Issues and Drafting Team Recommendations

### Summary of the IAASB's Discussions at Its June 2015 Meeting

#### Auditor Reporting – ISA 810<sup>1</sup>

Prof. Köhler provided an overview of the Board's previous discussions on ISA 810 and an update on outreach performed since the IAASB's March 2015 meeting. She noted that general support from the IAASB Consultative Advisory Group (CAG), national audit standard setters (NSS), Forum of Firms, the International Forum of Independent Audit Regulators Standard Coordination Working Group (IFIAR SCWG), and respondents to the ISA 800<sup>2</sup> and ISA 805<sup>3</sup> Exposure Draft (ED) for the IAASB to develop limited conforming amendments to ISA 810, in particular to address the information gap that 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.

The Board generally agreed with the need for, and content of, the proposed amendments to ISA 810 set out in [Agenda Item 5-B](#), with the exception of one Board member who challenged whether any changes to ISA 810 should be made at this time, given the feedback to the specific question on ISA 810 included in the ISA 800 and ISA 805 ED.

In addition to editorial comments, the Board also agreed the following additional amendments to proposed ISA 810 (Revised):

- Reordering of the elements within paragraph 14 of proposed ISA 810 (Revised) to be consistent with the proposed ordering of the elements of the illustrative reports contained in the Appendix to proposed ISA 810 (Revised);
- Replacing the various references to a *Key Audit Matters* section throughout proposed ISA 810 (Revised) with the phrase “communication of key audit matters”. This change acknowledges that listed entities will always be required to include a Key Audit Matters section in the auditor's report, however, in limited circumstances, there may not be any key audit matters to be communicated; and
- Various amendments to the illustrations and related application material to further illustrate the optional alignment of auditor's reports on summary financial statements with ISA 700 (Revised)<sup>4</sup> auditor's reports and to clarify the circumstances associated with each of the illustrations.

The Board considered requiring the auditor to list the subheadings / topics of key audit matters in the auditor's report on the summary financial statements or include the descriptions of individual key audit matters in their entirety. The Board decided against doing so, as detailed reference to individual key audit matters may give the impression that the ISA 810 engagement is something

<sup>1</sup> ISA 810, *Engagements to Report on Summary Financial Statements*

<sup>2</sup> ISA 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

<sup>3</sup> ISA 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

<sup>4</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

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.

#### IAASB CAG CHAIRMAN'S REMARKS

Mr. Waldron agreed that the proposed limited amendments to ISA 810 were consistent with the IAASB CAG's discussions on this topic.

#### APPROVAL

After agreeing all necessary changes to the ED, the IAASB unanimously approved the ED for public exposure, with 17 affirmative votes out of the 17 Board members present. The IAASB agreed that the ED should be publicly exposed for a period of 90 days.

#### PIOB OBSERVER REMARKS

Mr. Horstmann commented that the 90 day exposure period appeared appropriate, given the limited nature of the proposed amendments and the consistency with past practice of a 90 day exposure period in similar instances of limited amendments to ISAs.

### Objectives of the IAASB Discussion

The objectives of the IAASB discussion at its December 2015 meeting are to:

1. Consider the responses to the ED and the Drafting Team's (DT's) recommendations, as well as a revised draft of proposed ISA 810 (Revised).
2. Finalize and approve ISA 810 (Revised) for submission to the Public Interest Oversight Board (PIOB).

## I. Background and Introduction

1. An [ED](#) was released in August 2015 to solicit views on the IAASB's proposed conforming amendments to ISA 810 as a result of the new and revised Auditor Reporting standards.
2. The changes proposed to extant ISA 810 in the ED were 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, were limited and conforming in nature. In summary, the proposed changes were 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.<sup>5</sup>

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<sup>5</sup> At the March 2015 IAASB meeting, [Agenda Item 11-A](#) explained that ISA 570 (Revised), *Going Concern*, and ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, now require separate sections in the auditor's report on the audited financial statements when a material uncertainty related to going concern or a material misstatement of other information exists. Such information was previously required to be addressed in Emphasis of Matter (EOM) and Other Matter (OM) paragraphs, respectively, and, in accordance with paragraph 17 of extant ISA 810, would always be required to be highlighted in the ISA 810 report. Because extant ISA 810 does not refer to these new sections, without amendment to ISA 810 this new information would not be required to be addressed in the ISA 810 auditor's report, therefore resulting in an information gap.

- (b) Introduce a new requirement for the auditor’s report on the summary financial statements (the ‘ISA 810 report’) 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).
- 2. The ED also incorporated conforming amendments resulting from ISA 720 (Revised), which was released in April 2015 (see paragraphs 24 and A20 of proposed ISA 810 (Revised)).
  - 3. The IAASB CAG discussed ISA 810 at its March 2015 meeting, agreeing with DT-700’s and Staff’s recommendation to make limited amendments to ISA 810 to address the information gap relating to auditor reporting on a material uncertainty in relation to going concern or a material misstatement of other information that will arise when the new and revised Auditor Reporting standards become effective. Some CAG Representatives were of the view that investing additional time on a more fundamental consideration of ISA 810 would not be worthwhile in light of the Board’s other priorities. A concern was also raised that criteria for such engagements does not exist on an international basis (e.g., within International Financial Reporting Standards) and, as such, it was acknowledged that NSS may be best placed to make further changes to ISA 810.
  - 4. The 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 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.

#### **Drafting Team’s Analysis of the Feedback on the ED**

- 5. In reviewing respondents’ feedback on the ED, DT-700 characterized the feedback into four categories and developed an approach to responding to each as follows:
  - (a) *Issues relating to recommendations previously discussed by the IAASB for which respondents had a different view.* For example, there was a suggestion to expand the requirement in paragraph 14(f) of proposed ISA 810 (Revised) 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.”
  - (b) *Issues arising from the proposed changes to ISA 810.* For example, there were requests for clarification on the application of paragraph 24, as well as requests for illustrations on the application of paragraph 17(e) in proposed ISA 810 (Revised) (paragraph 17A in **Agenda Item 3-B**). This category also includes respondents’ various editorials suggestions.
  - (c) *Issues arising from inconsistencies between the requirements and the illustrations, and between the illustrations.* For example, respondents commented that the illustrations should not include information not required by the standard. If the additional contextual information provided in the illustrations was considered important enough to include, it should be included in the requirements or the application material.

- (d) *Issues that are out of scope.* As noted in the ED, the IAASB agreed that amendments to ISA 810 would be limited conforming amendments resulting from the new and revised Auditor Reporting standards. The amendments are not intended to substantively change the underlying premise of an engagement to report on summary financial statements that exists in extant ISA 810. For example, there was a suggestion to introduce a separate section in the ISA 810 report that would provide transparency about the auditor’s responsibilities when the summary financial statements are contained in a document containing other information.
6. This paper focuses on the issues categorized in paragraphs 5(a), 5(b) and 5(c) above. Those issues are described below together with DT-700’s proposed recommendations, including revisions to proposed ISA 810 (Revised). This paper also addresses the rationale for DT-700’s recommendations. DT-700 is of the view that the issues/comments categorized in paragraph 5(d) above went beyond the limited scope of the project to develop conforming amendments to ISA 810 resulting from the new and revised Auditor Reporting standards. Accordingly, DT-700 recommends revisions not be made to proposed ISA 810 (Revised) for issues/comments addressed by paragraph 5(d) above. Those issues are summarized in **Appendix 2** to this paper.

**Matter for IAASB Consideration**

1. The IAASB is asked to provide input on DT-700’s approach to responding to feedback on the ED, in particular whether the IAASB agrees with DT-700’s recommendation to not address the types of issues described in paragraph 5(d) and **Appendix 2** to this paper.

**II. Feedback on the ED**

7. The respondents to the ED comprised the following (**Appendix 1** includes a listing of the respondents):

Category of Respondent	No.	Percentage
Investors and Analysts	-	-
Those Charged with Governance	-	-
Regulators and Audit Oversight Bodies	2	6%
National Audit Standard Setters	8	23%
Accounting Firms	5	15%
Public Sector Auditors	-	-
Preparers	-	-
Member Bodies and Other Professional Organizations	17	50%
Academics	-	-
Individuals and Others	2	6%
<b>Total</b>	<b>34</b>	<b>100%</b>

8. Of the 34 respondents, 12<sup>6</sup> supported the approach of limited changes to ISA 810 as a result of the new and revised Auditor Reporting standards and stated that they believed no further changes are needed beyond those contained in the ED. Respondents agreed that the enhancements resulting from the new and revised Auditor Reporting standards were appropriately addressed in proposed ISA 810 (Revised), with most respondents generally agreeing with the manner in which paragraph 17, related application material in paragraph A15 and the illustrations had been changed to address the reference to additional information that may be included in the auditor's report on the audited financial statements. This included respondents from four jurisdictions where ISA 810 is currently used – Canada, Hong Kong, Malaysia and South Africa.
9. Acknowledging the approach taken by the Board to, at this time, only address limited confirming amendments to align ISA 810 to the new and revised Auditor Reporting standards, three<sup>7</sup> respondents noted that a more comprehensive revision of ISA 810 would be warranted. These respondents did however note that it would not be appropriate to consider a more comprehensive revision of ISA 810 as part of this conforming amendments project. Comprehensive revision to ISA 810 would require a separate project after consultation on its priority in relation to the Board's work plan for 2017 and beyond.
10. Other stakeholders had previously suggested that the IAASB may need to consider whether ISA 810 should be withdrawn, as further explained in the Explanatory Memorandum (EM) to the ED. However, none of the ED respondents commented on the need for ISA 810 to be withdrawn.
11. Some respondents provided useful drafting suggestions<sup>8</sup> to improve the IAASB's proposals while others raised concerns with respect to Other Information, EOM and OM, communication of key audit matters and the illustrations. These concerns are discussed in further detail in the sections that follow.

## Other Information

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

12. Respondents generally expressed support for the IAASB's approach with respect to material misstatement of other information communicated in the auditor's report on the audited financial statements contained in paragraph 17(e) of proposed ISA 810 (Revised). However, there were some respondents who did not support this proposal:
  - (a) Four<sup>9</sup> respondents did not support inclusion of a statement in the ISA 810 report that describes an uncorrected material misstatement of other information in the auditor's report on the audited financial statements in accordance with ISA 720 (Revised) in all cases. Drawing attention to a misstatement of other information that accompanied the audited financial statements could be confusing for the reader of the summary financial statements where that other information is not contained in a document that also contains the summary financial statements.

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<sup>6</sup> NSS: CAASB, IDW; *Member Bodies and Other Professional Organizations*: CAANZ, CPAA, ICAP, ICAZ, INCP, ISCA, KICPA, LCA, SMP; *Individuals and Others*: DJuvenal

<sup>7</sup> *Regulators and Audit Oversight Bodies*: IRBA; NSS: IDW; *Accounting Firms*: DTT

<sup>8</sup> *Regulators and Audit Oversight Bodies*: IRBA; NSS: AICPA, HKICPA, JICPA; *Accounting Firms*: EYG, DTT; *Individuals and Others*: HC

<sup>9</sup> *Member Bodies and Other Professional Organizations*: CAI; *Accounting Firms*: DTT, KPMG, PwC

- (b) Two<sup>10</sup> respondents were of the view that the auditor should be able to exercise judgement about whether the ISA 810 report should make reference to a statement in the auditor's report on the audited financial statements that describes an uncorrected material misstatement of other information in accordance with ISA 720 (Revised). Those respondents suggested that, when the auditor's report on the audited financial statements includes a statement that describes an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised), the auditor should be required to consider the implications, if any, such an uncorrected misstatement may have on the ISA 810 report, rather than requiring the ISA 810 report to make reference to the report on the audited financial statements. Such an approach would be similar to what the IAASB agreed in finalizing ISA 805 (Revised).

#### *Other Information in Documents Containing Summary Financial Statements*

13. Paragraphs 24 and A20 of proposed ISA 810 (Revised) incorporated conforming amendments resulting from ISA 720 (Revised). Two<sup>11</sup> respondents suggested paragraph 24 needed to be further amended to clarify the auditor's responsibilities and related work effort, when a material inconsistency has been identified between the other information contained in a document that also contains the summary financial statements and management refuses to correct this inconsistency. Those respondents suggested that paragraph A20 could explain how the reporting requirements in ISA 720 (Revised) may be adapted as necessary in the circumstances.

#### *Illustrations*

14. Four<sup>12</sup> respondents suggested including in the appendix to proposed ISA 810 (Revised) illustrations of how matters related to other information in the context of an engagement to report on summary financial statements would be addressed in the ISA 810 report. It was suggested the illustrations may address:
- (a) Circumstances where an uncorrected material misstatement of other information is communicated in the auditor's report on the audited financial statements.
  - (b) Circumstances when the summary financial statements are contained in a document that also contains other information which the auditor is required to read as required by paragraph 24 of proposed ISA 810 (Revised).
  - (c) Circumstances where an uncorrected material misstatement of other information is identified in accordance with paragraph 24 that relates to a material inconsistency identified between the other information and the summary financial statements contained in the same document.

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

#### *Sequencing of the Elements of the Auditor's Report on the Summary Financial Statements*

15. While the majority of the respondents agreed with the flexibility in paragraph 14 related to the sequencing of the ISA 810 report, four<sup>13</sup> respondents suggested that paragraph 14 should require

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<sup>10</sup> NSS: AICPA; Accounting Firms: KPMG

<sup>11</sup> Accounting Firms: DTT, PwC

<sup>12</sup> Accounting Firms: DTT; NSS: AICPA; Member Bodies and Other Professional Organizations: HKICPA, MIA

<sup>13</sup> Regulators and Audit Oversight Bodies: IRBA; NSS: NBA; Member Bodies and Other Professional Organizations: FSR; Individuals and Others: HC

mandatory sequencing of the elements of the ISA 810 report to promote consistency, especially with regard to where the opinion should be placed.

#### *Independence and Other Relevant Ethical Responsibilities and Disclosure of the Name of the Engagement Partner*

16. In the ED, the Board decided not to require a statement about independence and other relevant ethical responsibilities or disclosure of the name of the engagement partner in the ISA 810 report for engagements to report on summary financial statements of listed entities. Such information would be available to the users of the auditors' report on the audited financial statements to which reference is made in the ISA 810 report. The majority of respondents made no comment about this proposal. Two<sup>14</sup> respondents explicitly noted agreement with this approach. However, four<sup>15</sup> respondents commented that they did not agree with this approach, noting that the importance of independence and fulfilling other ethical responsibilities does not differ between an ISA 810 report or for the auditor's report on the audited financial statements.

#### *Emphasizing the Importance of Reading the Auditor's Report on the Audited Financial Statements*

17. One<sup>16</sup> respondent did not agree with the Board's conclusion to not expand the statement in paragraph 14(f) 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 signalling and encouraging readers of the ISA 810 report to read the auditor's report on the audited financial statements. This respondent disagreed with the Board's conclusion that the same effect would be achieved by the changes to paragraph 17 of proposed ISA 810 (Revised), as those matters required to be referred to in the ISA 810 report may not be present in all circumstances.

#### **Reference to the Auditor's Report on the Audited Financial Statements (excluding other information)**

##### *EOM and OM*

18. ISA 706 (Revised)<sup>17</sup> indicates that in some cases, a matter that would be considered as a topic to be included in an EOM or OM paragraph, may be included in the Key Audit Matters Section (when ISA 701<sup>18</sup> is applied). In such circumstances, reference in the ISA 810 report to communication of key audit matters in the auditor's report on the audited financial statements would not be dealt with in a similar manner as EOM and OM in proposed ISA 810 (Revised). Two<sup>19</sup> respondents noted that the auditor should not therefore be required to describe the EOM and OM and the effects thereof, if any, in the ISA 810 report, but rather treat EOM and OM paragraphs in a similar manner to how the communication of key audit matters are addressed in proposed ISA 810 (Revised). Application material could be provided to indicate that the auditor may however include additional details about such matters, including any effects on the summary financial statements, in the ISA 810 report, if the

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<sup>14</sup> NSS: HKICPA Member Bodies and Other Professional Organizations: CPAA

<sup>15</sup> NSS: NBA, NZAuASB; Accounting Firms: KPMG; Individuals and Others: HC

<sup>16</sup> Individuals and Others: HC

<sup>17</sup> ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraphs A1-A3

<sup>18</sup> ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

<sup>19</sup> Accounting Firms: DTT; Member Bodies and Other Professional Organizations: HKICPA

auditor believes that such additional information would be of benefit to the users of the summary financial statements.

### *Communication of Key Audit Matters*

19. The majority of the respondents supported the changes to paragraph 17 to require reference in the ISA 810 report to the communication of key audit matters, if any, in the auditor's report on the audited financial statements. The following is a summary of the comments suggesting additional changes related to communication of key audit matters:

#### Paragraph 17(d) of Proposed ISA 810 (Revised)

- (a) In accordance with paragraph 16 of ISA 701, if the auditor determines that there are no key audit matters to communicate, the auditor shall include a statement to this effect in a separate section of the auditor's report under the heading "Key Audit Matters". One respondent<sup>20</sup> suggested that if applicable, such statement should be reproduced in the auditor's report on summary financial statements.

#### Paragraph A15 of Proposed ISA 810 (Revised)

- (b) 18<sup>21</sup> Respondents supported the inclusion of paragraph A15 to emphasize that the reference in the ISA 810 report to the existence of the communication of key audit matters in the auditor's report on the audited financial statements is not required to describe the individual key audit matters, whilst not precluding the auditor from providing additional information. One<sup>22</sup> respondent suggested paragraph A15 be enhanced to explain why the auditor is not required to include the detailed information and to state that 'ordinarily' a succinct reference is preferable. Two<sup>23</sup> respondents however did not believe this additional emphasis was necessary.
- (c) One<sup>24</sup> respondent did not agree with the flexibility provided to the auditor to allow for inclusion in the ISA 810 report the detailed descriptions of the key audit matters communicated in the auditor's report on the audited financial statements. This respondent preferred that it not be permitted to include such detail, as summary financial statements do not typically provide the context and detail necessary to explain key audit matters sufficiently for the reader of the ISA 810 report and the summary financial statements to understand.
- (d) Three<sup>25</sup> respondents commented that the illustrative ISA 810 reports should only illustrate required content to avoid confusion between what is required and what is optional. It was suggested that if it is considered that the additional contextual information included in illustration 1 related to key audit matters is useful information to include in the report, the IAASB

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<sup>20</sup> *Regulators and Audit Oversight Bodies*: MAOB

<sup>21</sup> *Regulators and Audit Oversight Bodies*: IRBA; *NSS*: AICPA, CAASB, HKICPA, IDW, MIA, NBA, NZAuASB; *Member Bodies and Other Professional Organizations*: IBR-IRE, ICAZ, INCP, IPA, SMP; *Accounting Firms*: DTT, BDO, EYG, KPMG; *Individuals and Others*: HC

<sup>22</sup> *Accounting Firms*: KPMG

<sup>23</sup> *Member Bodies and Other Professional Organizations*: FSR, ICAG

<sup>24</sup> *Member Bodies and Other Professional Organizations*: CAI

<sup>25</sup> *NSS*: AICPA; *Accounting Firms*: BDO, DTT

should include that information as part of the requirements or consider including in another manner, such as a footnote, to communicate this point.

#### *Illustrations*

20. One<sup>26</sup> respondent suggested that:
- Footnote 1 in illustration 1 be included in application material; and
  - Clarification be added in Illustration 1 (by way of footnote) that in the circumstances where there is no material uncertainty related to going concern, the word "other" in the statement for the communication of key audit matters would not be necessary.

#### *Effective Date*

21. All respondents who responded to the question related to the effective date agreed with the proposed effective date (i.e., effective for engagements to report on summary financial statements for periods ending on or after December 15, 2016).

### **III. Issues and Drafting Team Recommendations**

#### **Other Information**

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

22. DT-700's analysis of the responses to the ED suggests that the proposed approach in the ED regarding when to require reference to and a description of, in the ISA 810 report, a statement in the auditor's report on the audited financial statements that describes an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised) may need to be revisited.
23. Paragraph 24 of extant ISA 810 and proposed ISA 810 (Revised) define relevant other information in the context of an engagement to report on summary financial statements as other information in documents containing summary financial statements. DT-700 is of the view, in the context of an engagement to report on summary financial statements, that a material misstatement of the other information identified in the auditor's report on the audited financial statements would be considered relevant to a user of the ISA 810 report if that same information is also present in what is considered to be other information for the engagement to report on summary financial statements. In this case, DT-700 believes a required reference is appropriate. However, in cases when the materially misstated other information is not in a document that contains the summary financial statements, this material misstatement may not be relevant to users of the summary financial statements, and a reference to it may actually be confusing, therefore such reference should not be required. Nevertheless, DT-700 believes that the auditor should have flexibility to reference a material misstatement of the other information identified in the auditor's report on the audited financial statements that relates to other information that is not in a document that contains the summary financial statements, if the auditor considers this to be appropriate in the circumstances.
24. Paragraphs 17–17A and A15B of **Agenda Item 3-B** include new and revised requirements and application material to address the concerns that had been raised by respondents. Specifically, amendments have been proposed to paragraph 17(e), and new paragraph 17A has been proposed

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<sup>26</sup> *Member Bodies and Other Professional Organizations: HKICPA*

to address the conditional requirement to reference a material misstatement of the other information described in the auditor's report on the audited financial statements.

*Other Information in Documents Containing Summary Financial Statements*

25. In considering conforming amendments to ISA 810 arising from ISA 720 (Revised), the IAASB concluded that the amendments to ISA 810 should conform terminology in ISA 810 to that of ISA 720 (Revised), rather than also conforming the substance of ISA 720 (Revised) to an engagement to report on summary financial statements. The effect of this previous conclusion was that paragraph 24 of ISA 810 would take an approach more closely aligned with ISA 720 (i.e., prior to ISA 720 (Revised)), which:
  - (a) Limits the auditor's consideration of other information contained in (rather than also accompanying) a document that also contains the summary financial statements; and
  - (b) States that "the auditor shall read the other information included in a document containing the summary financial statements and related auditor's report thereon to consider whether..." which does not reflect the enhanced work effort required under ISA 720 (Revised).
26. DT-700 considered respondents comments on paragraph 24 of proposed ISA 810 (Revised) in the context of the fact that the revisions in the ED were conforming amendments arising from the finalization of ISA 720 (Revised). Nevertheless, the comments received indicated that further clarification of paragraph 24 should be considered.
27. Paragraphs 24 and A20–A20A of **Agenda Item 3-B** include revised requirements and new and revised application material, respectively, to address the concerns that had been raised by respondents related to other information contained in documents containing the summary financial statements.
28. Specifically relating to paragraph 24, DT-700 is of the view that it was important to add the words 'due to a material inconsistency or because the other information is otherwise misleading' to firstly clarify the circumstances in which the auditor would need to take further action. Secondly, because of the deletion of the words 'an apparent material misstatement of fact' that had been deleted from extant ISA 810 to conform terminology with ISA 720 (Revised), DT-700 is of the view that it is important to acknowledge that the auditor also has professional responsibilities to address in the case the other information is otherwise misleading (that is, beyond any material inconsistencies with the summary financial statements). The use of the term "material misstatement of the other information" from ISA 720 (Revised) in paragraph 24 of proposed ISA 810 (Revised) was deemed by DT-700 to be inappropriate. DT-700 is of the view that the defined term in ISA 720 (Revised) is connected with the work effort of ISA 720 (Revised) and the broader types of "misstatements" involved.
29. The revisions to paragraph 24 of proposed ISA 810 (Revised) respond to respondents requests for additional clarity regarding the appropriate actions the auditor may take if there is an uncorrected material misstatement in other information in a document that also contains the summary financial statements.

30. The intent of the revisions to paragraph A20 of proposed ISA 810 (Revised) are to clarify that:
- Paragraph 24 of proposed ISA 810 (Revised), rather than ISA 720 (Revised), deals with the auditor’s responsibilities for other information in the context of an engagement to report on summary financial statements;
  - When information is considered to be other information in accordance with paragraph 24 and that same information is also other information in accordance with ISA 720 (Revised), the auditor may take into account work performed on that other information in accordance with ISA 720 (Revised) in the audit of the financial statements. Such work may be adequate for the purposes of paragraph 24 of proposed ISA 810 (Revised); and
  - When the auditor’s report on the audited financial statements includes a statement that describes a material misstatement of this other information, the requirements of paragraph 17A apply (see paragraphs 23 and 24 above).
31. New paragraph A20A of proposed ISA 810 (Revised) is intended to provide guidance for auditors in circumstances when a material inconsistency, or other information that is otherwise misleading, which management refuses to correct is identified in the context of ISA 810 engagement (i.e., pursuant to paragraph 24 of proposed ISA 810 (Revised)) and not addressed in the auditor’s report on the audited financial statements (i.e., the requirements in paragraphs 17A do not apply). The auditor, in this circumstance, may apply ISA 720 (Revised), adapted as necessary in the circumstances, when determining the appropriate action to respond to management’s refusal to revise the information as necessary.

#### *Illustrations*

32. DT-700 is proposing revisions to Illustration 2 in the appendix to proposed ISA 810 (Revised). These revisions illustrate the reporting in the ISA 810 report when the auditor’s report on the audited financial statements includes a statement that describes a material misstatement of the other information and the other information to which this material misstatement relates is also considered to be other information in accordance with paragraph 24 of proposed ISA 810 (Revised).
33. DT-700 considered providing illustrations of the application of paragraph 24 of proposed ISA 810 (Revised). However, due to the various scenarios that could arise in practice DT-700 are of the view that developing illustrations would be impractical. Such illustrations would not be responsive to those commenters that believed that only required reporting should be illustrated. DT-700 believes the additional clarifications in paragraphs A20 and A20A of the applicability of paragraph 24 achieve the same objective.

#### **Matter for IAASB Consideration**

2. Does the IAASB agree with DT-700’s recommendations to address respondents comments related to other information?

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

##### *Sequencing of the Elements of the Auditor’s Report on the Summary Financial Statements*

34. The majority of the respondents agreed with the flexibility in paragraph 14 related to the sequencing of the ISA 810 report. As noted in the EM, 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 or require the use of specific

headings. DT-700 continues to believe that it is appropriate to retain the flexibility in paragraph 14 related to the sequencing of the ISA 810 report.

*Independence and Other Relevant Ethical Responsibilities and Disclosure of the Name of the Engagement Partner*

35. In the ED, the Board decided not to require a statement about independence and other relevant ethical responsibilities or disclosure of the name of the engagement partner in the ISA 810 report for engagements to report on summary financial statements of listed entities, 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.
36. DT-700 considered the responses from respondents that did not agree with this approach in the context of the number of respondents who believed the IAASB's limited conforming amendments were appropriate and no further revisions were required. DT-700 continues to support the IAASB's position on this matter noted in the EM.

*Emphasizing the Importance of Reading the Auditor's Report on the Audited Financial Statements*

37. The IAASB previously considered whether the statement in the ISA 810 report referring to the auditor's report on the audited financial statements should be expanded to include the words 'and the auditor's report thereon'. At the time of the ED, the IAASB concluded that requiring such a statement would not be necessary, as the approach proposed in paragraph 17 of proposed ISA 810 (Revised) would more explicitly make reference to specific items included in the auditor's report on the audited financial statements, thereby achieving the same effect (see paragraph 40 below).

**Matter for IAASB Consideration**

3. Does the IAASB agree with DT-700's recommendations to address respondents' comments related to the auditor's report on summary financial statements?

**Reference to the Auditor's Report on the Audited Financial Statements (excluding other information)**

*Communication of Key Audit Matters*

38. DT-700 considered respondents' feedback on the required reference in the ISA 810 report to the communication of key audit matters, if any, in the auditor's report on the audited financial statements and the related application material. As a result of the overwhelming support from respondents on how this matter is addressed in proposed ISA 810 (Revised), DT-700 is of the view that no further changes are needed. DT-700 does not believe it is necessary to require a statement in the ISA 810 report, similar to the requirement in paragraph 16 of ISA 701, that there are no key audit matters to communicate.

*Other Revisions*

39. Two<sup>27</sup> respondents suggested that the reference in the ISA 810 report to OM and EOM paragraphs in the audited financial statements be treated consistently with the manner in which references to the communication of key audit matters in the auditor's report on the audited financial statements are

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<sup>27</sup> Accounting Firms: DTT; Member Bodies and Other Professional Organizations: HKICPA

addressed. In accordance with extant ISA 810, paragraph 17, the auditor would always be required to highlight in the ISA 810 report OM and EOM paragraphs. As a result of this requirement existing in extant ISA 810, DT-700 is of the view that no changes to this requirement should be made as part of the limited conforming amendments.

40. DT-700 considered respondents' other comments related to the reference in the ISA 810 report to the auditor's report on the audited financial statements and proposed the following:
- (a) To address the fact that the matters referred to in paragraphs 17 and 17A of proposed ISA 810 (Revised) would not always be present and to further emphasize the importance of the reader of the ISA 810 report also reading the auditor's report on the audited financial statements, DT-700 proposes that paragraph 14(f) be revised to include the underlined text below:  
  
"...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."
  - (b) New application material in paragraph A15A of proposed ISA 810 (Revised) to clarify the descriptions required by paragraphs 17(ii) and 17A(ii). DT-700 has also proposed revisions to illustration 3 of proposed ISA 810 (Revised) to illustrate the principle of an adequate description without repeating the description that was in the auditor's report on the audited financial statements.

**Matter for IAASB Consideration**

4. Does the IAASB agree with DT-700's recommendations to address respondents' comments related to the reference to the auditor's report on the audited financial statements?

**Other Revisions to Requirements, Application Material and Illustrations**

41. DT-700 considered the various respondents comments and suggestions for editorial revisions to the requirements and application material and similar suggestions for revisions to the illustrations contained in proposed ISA 810 (Revised). DT-700's proposed revisions in response to respondents' comments are reflected in **Agenda Item 3-B**.

**Matter for IAASB Consideration**

5. Does the IAASB agree with DT-700's recommendations to address respondents' comments related to the editorial revisions to the requirements and application material and similar revisions to the illustrations contained in the appendix to proposed ISA 810 (Revised)?

**IV. Due Process Matters**

42. In DT-700's view, the significant matters it has identified as a result of its deliberations since the beginning of this project, and its considerations therein, have all been reflected in the issues papers presented to the IAASB at its meetings. In the DT-700's view, there are no significant matters it has discussed in this project that have not been brought to the IAASB's attention.

*Consideration of the Need for Further Consultation*

43. DT-700 does not believe that field testing of the proposals, or a roundtable, are warranted, given the nature of the changes and the input from stakeholders, and liaison with various stakeholders, including regulators and investors, over the course of the Auditor Reporting project as a whole.

*Consideration of the Need for Re-Exposure*

44. To facilitate the IAASB's consideration of the need for re-exposure, **Agenda Item 3-B** shows the marked changes from the ED.
45. DT-700 does not believe that re-exposure is needed. This is because the changes are limited in nature (as shown in **Agenda Item 3-B**); are in response to the comments received on exposure; and do not fundamentally change the principles of ISA 810 from what was intended in the ED.

*Effective Date*

46. DT-700 continues to be of the view that the effective date set out in the ED (i.e., effective for engagements to report on summary financial statements for periods ending on or after December 15, 2016), remains appropriate, as this would be in line with the effective date of the new and revised Auditor Reporting standards.

**Matters for IAASB Consideration**

6. Subject to the IAASB's views on approval of ISA 810 (Revised) as a final standard, does the IAASB agree:
- (a) That re-exposure of the changes to proposed ISA 810 (Revised) is not necessary?
  - (b) With the proposed effective date?

## Appendix 1

### List of Respondents to the Exposure Draft

#	Abbrev .	Respondent (34)	Region
<b>Regulators and Audit Oversight Bodies (2)</b>			
1.	IRBA	The Independent Regulatory Board for Auditors	MEA
2.	MAOB	Audit Oversight Board - Securities Commission of Malaysia	AP
<b>National Standard Setters (8)</b>			
3.	AICPA	The American Institute of Certified Public Accountants Auditing Standards Board	NA
4.	CAASB	Canadian Auditing and Assurance Standards Board	NA
5.	HKICPA	Hong Kong institute of Certified Public Accountants	AP
6.	IDW	Institut der Wirtschaftspruefer in Deutschland e.V.	EU
7.	JICPA	The Japanese Institute of Certified Public Accountants	AP
8.	MIA	Malaysian Institute of Accountants – Auditing and Assurance Standards Board	AP
9.	NBA	Nederlandse Beroepsorganisatie van Accountants	EU
10.	NZAuASB	New Zealand Auditing and Assurance Standards Board	AP
<b>Accounting Firms (5)</b>			
11.	BDO	BDO International Limited	Global
12.	DTT	Deloitte Touche Tohmatsu Limited	Global
13.	EYG	Ernst & Young Global Limited	Global
14.	KPMG	KPMG IFRG Limited	Global
15.	PWC	PricewaterhouseCoopers International Limited	Global
<b>Member Bodies and Other Professional Organizations (17)</b>			
16.	CAANZ	Chartered Accountants Australia and New Zealand	AP
17.	CAI	Chartered Accountants Ireland	EU
18.	CNCC	Compagnie Nationale des Commissaires aux Comptes	EU
19.	CPAA	CPA Australia Ltd	AP
20.	FSR	FSR-danske revisorer	EU
21.	IBR-IRE	Institut des Réviseurs d'Entreprise / Instituut van de Bedrijfsrevisoren	EU
22.	ICAG	The Institute of Chartered Accountants (Ghana)	MEA
23.	ICAP	The Institute of Chartered Accountants of Pakistan	AP
24.	ICAZ	Institute of Chartered Accountants Of Zimbabwe	MEA
25.	INCP	Instituto Nacional de Contadores Públicos de Colombia	SA
26.	IPA	Institute of Public Accountants	AP
27.	ISCA	Institute of Singapore Chartered Accountants	AP
28.	KICPA	The Korean Institute of Certified Public Accountants	AP
29.	LCA	Lithuanian Chamber of Auditors	EU
30.	MICPA	The Malaysian Institute of Certified Public Accountants	AP
31.	SAICA	South African Institute of Chartered Accountants	MEA
32.	SMP	IFAC SMP Committee	Global
<b>Individuals and Others (2)</b>			
33.	HC	CUNY Hunter College	NA
34.	DJuvenal	Denise Silva Ferreira Juvenal	SA

## Feedback that Goes Beyond the Scope of the ED

1. As noted in paragraph 5 of this paper, some respondents provided feedback and suggested amendments to proposed ISA 810 (Revised) that went beyond the scope of limited conforming amendments resulting from the new and revised Auditor Reporting standards. This feedback is summarized below, but has not been further considered by DT-700.

### Issues that Are Out of Scope

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

2. One<sup>28</sup> respondent commented that as drafted, paragraph 17 is only applicable in circumstances where items in paragraphs 17 a) through e) are consistent, in all material respects, with, or are a fair summary of the audited financial statements. To provide for consistent transparency, the reference in the ISA 810 report to the auditor's report on the audited financial statements should be applied regardless of whether or not an adverse opinion is expressed (as determined by paragraph 19 of proposed ISA 810 (Revised)).
3. One<sup>29</sup> respondent suggested additional application material is necessary as it is not clear how the effect, if any, of a Qualified Opinion, EOM and OM paragraphs, and sections on Material Uncertainty related to Going Concern or Material Misstatement of Other Information on the summary financial statements should be described in the auditor's report.
4. One<sup>30</sup> respondent noted that proposed ISA 810 (Revised) should be clarified in terms of what the appropriate action would be if the auditor concludes that a material misstatement in the summary financial statements exists, suggesting that the auditor shall consider the impact on the auditor's report on the audited financial statements in accordance with paragraph 13.

#### Other Information in Documents Containing Summary Financial Statements

5. One<sup>31</sup> respondent noted that the scope and work effort required for other information addressed in paragraph 24 should be expanded to reflect the expanded scope, work effort and reporting of ISA 720 (Revised).
6. One<sup>32</sup> respondent noted that paragraph 24 does not address the issue of the information accompanying the summary financial information being inconsistent with the full financial statements and the proposed standard should be amended to deal with such circumstances.

### Illustrations

7. One<sup>33</sup> respondent suggested including in the appendix to proposed ISA 810 (Revised) additional illustrations of how matters related to other information in the context of an engagement to report on

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<sup>28</sup> *Accounting Firms*: DTT

<sup>29</sup> *Member Bodies and Other Professional Organizations*: FSR

<sup>30</sup> *Regulators and Audit Oversight Bodies*: IRBA

<sup>31</sup> *Regulators and Audit Oversight Bodies*: IRBA

<sup>32</sup> *Member Bodies and Other Professional Organizations*: IPA

<sup>33</sup> *Regulators and Audit Oversight Bodies*: IRBA

summary financial statements would be addressed in the ISA 810 report. It was suggested the illustrations may address:

- a) The prevalent use of other formats in which audited summary financial statements may be included, for example, the integrated report <IR>; and
- b) The risk of association with other information and how this may be addressed in relation to the requirements contained in ISA 720 (Revised).
- c) The risk of the auditor being associated with other information may potentially be addressed by including the wording used in ISA 720 (Revised), Appendix 2, Illustration 1, in the related auditor's report of the summary financial statements in relation to the auditor's consideration of other information and related management's responsibility, taking into consideration that ISA 810 is a standalone standard.

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

8. One<sup>34</sup> respondent questioned whether the statement of management's responsibility in the ISA 810 report should include reference to the fact that management is also responsible for such internal control as management determines is necessary to enable the preparation of summary financial statements that are free from material misstatement, whether due to fraud or error when there are management controls in place in preparing the summary financial statements.

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<sup>34</sup> *Regulators and Audit Oversight Bodies: IRBA*