

Meeting: IAASB Consultative Advisory Group
Meeting Location: Paris, France
Meeting Date: March 8–9, 2016

Agenda Item

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Auditor Reporting – ISA 800 Series – Report Back

Objective of Agenda Items

1. To provide a report back on comments of the CAG Representatives and Observers on this project as discussed at the September 2015 CAG Meeting and December 2015 CAG Teleconference.

Background (ISA 810¹)

2. At its March 2015 meeting, the IAASB discussed the results of an IAASB Staff-led technical review of extant ISA 810, which addresses engagements to report on summary financial statements when the auditor has also audited the complete set of financial statements and reported in accordance with ISA 700 (Revised).² This review confirmed previous views discussed by the IAASB – namely that an information gap would result in circumstances when a material uncertainty related to going concern or a material misstatement of other information are highlighted in the auditor's report on the related audited financial statements. Such matters were previously required to be addressed in an Emphasis of Matter paragraph or an Other Matter paragraph, respectively, and, in accordance with paragraph 17 of extant ISA 810, would always be required to be highlighted in the ISA 810 report. ISA 570 (Revised)³ and ISA 720 (Revised)⁴ now require separate sections in the auditor's report on the audited financial statements when such circumstances exist (i.e., these matters are no longer addressed using an Emphasis of Matter or Other Matter paragraph). Because extant ISA 810 does not refer to these new sections required by ISA 570 (Revised) and ISA 720 (Revised), without amendment to extant ISA 810, these newly required sections would not be required to be highlighted in the auditor's report on the summary financial statements (referred to hereafter as "the ISA 810 report").
3. At its June 2015 meeting, the IAASB approved the exposure draft (ED), [*Proposed ISA 810 \(Revised\), Engagements to Report on Summary Financial Statements*](#). The ISA 810 ED was issued in August

¹ International Standard on Auditing (ISA) 810, *Engagements to Report on Summary Financial Statements*

² ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

³ ISA 570 (Revised), *Going Concern*

⁴ ISA 720 (Revised), *The Auditor's Responsibilities Related to Other Information*

2015 and the comment period closed on November 2, 2015. The IAASB approved ISA 810 (Revised)⁵ at its December 2015 meeting.

Project Status and Timeline

4. The IAASB has concluded – subject to Public Interest Oversight Board approval of due process related to ISA 810 (Revised) – its work to develop consequential amendments to the ISA 800 Series (being ISA 800 (Revised),⁶ ISA 805 (Revised)⁷ and ISA 810 (Revised)) that are considered necessary in light of the broader Auditor Reporting project.⁸
5. The Appendix to this paper provides a history of previous discussions with the CAG on matters relating to the ISA 800 series, with links to the relevant CAG documentation.

September and December 2015 CAG Discussions

6. Extracts from the draft minutes of the September 2015 CAG meeting and December 2015 CAG teleconference, as well as an indication of how the Drafting Team (DT) or IAASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	DT / IAASB Response
September 2015 CAG meeting (Proposed ISA 800 (Revised),⁹ proposed ISA 805 (Revised)¹⁰ and proposed ISA 810 (Revised))	
No comments received from the CAG Representatives and Observers. ¹¹	Not applicable.
December 2015 CAG Teleconference (Proposed ISA 810 (Revised))	
Messrs. Dalkin, Iinuma, Rockwell, Stewart, Thompson, van der Ende, and Yoshii and Mmes. McGeachy and Robert were supportive of the recommendation of the Drafting Team, including	Support noted.

⁵ ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*

⁶ ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

⁷ ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

⁸ The IAASB's changes to the ISAs addressing auditor reporting on complete sets of general purpose financial statements, including ISA 700 (Revised), were issued in January 2015 and will be effective for audits of financial statements for periods ending on or after December 15, 2016.

⁹ Proposed ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

¹⁰ Proposed ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

¹¹ The IAASB issued an exposure draft of proposed changes to ISA 800 and ISA 805 in January 2015. ISA 800 (Revised) and ISA 805 (Revised) were issued in January 2016.

Representatives' and Observers' Comments	DT / IAASB Response
the proposed changes to ISA 810, and had no additional comments.	
<p>Mr. Hansen, while acknowledging the limited scope of the project, noted a concern with the dating of the auditor's report on the summary financial statements, in particular in cases where the auditor's report on the summary financial statements is dated later than that the auditor's report on the audited financial statements. Mr. Hansen suggested that the IAASB may want to reconsider whether allowing for this possibility is necessary or appropriate, in light of the practical considerations, such as management representations and the potential effect on the auditor's risk assessment. Mr. Baumann shared Mr. Hansen's concern, noting he would expect that, if the auditor's report on the summary financial statements is dated later than the auditor's report on the audited financial statements, the auditor would need to perform some additional work to determine that there are no other events that need to be considered.</p>	<p>Point taken in to account.</p> <p>Extant ISA 810 acknowledges that the ISA 810 report may be dated later than the date of the auditor's report on the audited financial statements. In such cases, the ISA 810 report is required to 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.</p> <p>Extant ISA 810 also states that 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 ISA 810 report until the auditor's consideration of such facts in relation to the audited financial statements in accordance with ISA 560¹² has been completed.</p> <p>These requirements have been retained in ISA 810 (Revised). The IAASB did not believe it was necessary to change the approach to an ISA 810 engagement in light of the nature of the project.</p> <p>[See paragraphs 12 and 13 of ISA 810 (Revised)]</p> <p>Given the limited scope of the project to address implications of the new and revised Auditor Reporting standards, the IAASB concluded to not make changes to the extant requirements, in particular the requirements with respect to subsequent events.</p>
Mr. Baumann also reiterated his overarching concern with ISA 810, stating again that he believes users of the financial statements should	<p>Points not accepted.</p> <p>In its deliberations in finalizing ISA 810 (Revised), the IAASB did not believe a statement about</p>

¹² ISA 560, *Subsequent Events*

Representatives' and Observers' Comments	DT / IAASB Response
<p>be reading the audited financial statements and not a summary thereof.</p> <p>Mr. Yurdakul was of the view that readers of the summary financial statements and the auditor's report thereon may not read the audited financial statements and the auditor's report thereon. He therefore believed it would be important to include the name of the engagement partner in the auditor's report on the summary financial statements of listed entities.</p>	<p>independence and other relevant ethical responsibilities or disclosure of the name of the engagement partner (for engagements to report on summary financial statements of listed entities) would be needed in the ISA 810 report, since such information would be available to the users of the auditor's report on the audited financial statements.</p> <p>Extant ISA 810 requires that the auditor include in the ISA 810 report a statement indicating that the summary financial statements do not contain all the disclosures required by the financial reporting framework applied in the preparation of the audited financial statements, and that reading the summary financial statements is not a substitute for reading the audited financial statements.</p> <p>Feedback to ISA 810 ED suggested that expanding this statement in the ISA 810 report would further emphasize the importance of reading both the audited financial statements and the auditor's report thereon. The IAASB therefore agreed that paragraph 16(f) of ISA 810 (Revised) should include the underlined text below:</p> <p style="padding-left: 40px;">“...reading the summary financial statements <u>and the auditor's report thereon</u> is not a substitute for reading the audited financial statements <u>and the auditor's report thereon</u>.”</p> <p>The IAASB believes that drawing greater attention in the ISA 810 report to the need to read the auditor's report on the audited financial statements could mitigate concerns of those who expressed a preference for the statement on independence and other relevant ethical requirements and disclosure of the engagement partner for listed entities to be included in the ISA 810 report, as well as those who are concerned with the nature of an ISA 810 engagement more generally.</p> <p>The feedback obtained by the Board and its Staff indicated 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</p>

Representatives' and Observers' Comments	DT / IAASB Response
	<p>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. In such cases, those requiring or permitting the issuance of summary financial statements and auditor's reports thereon have presumably considered the needs of users in doing so and typically develop national criteria supporting these engagements.</p> <p>The IAASB believes it is in the public interest to allow for flexibility in relation to auditor reporting in this area to align with those users' needs and expectations, and envisages that national auditing standard setters may continue to consider it appropriate to add more detailed requirements in their national equivalents of ISA 810 (Revised).</p>
<p>While agreeing with the proposal to refer to 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), Mr. Michel suggested it would be more relevant to explicitly describe this circumstance in the auditor's report on the summary financial statements.</p>	<p>Point taken into account.</p> <p>ISA 810 deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with the ISAs by that same auditor. In considering the consequential amendments to ISA 810 resulting from the Auditor Reporting project, the IAASB was mindful of amendments that would result in the creation of the impression that the ISA 810 engagement is something other than what is intended.</p> <p>Explicitly describing the circumstance that resulted in an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised) could create the impression that the ISA 810 engagement is something other than intended, would potentially lengthen the ISA 810 report, and could be misleading if the underlying issues were not relevant to the summary financial statements or to the information included in a document containing summary financial statements and the auditor's report thereon. As a result, the IAASB</p>

Representatives' and Observers' Comments	DT / IAASB Response
	<p>retained in ISA 810 (Revised) the requirement proposed in the ISA 810 ED to make reference to an uncorrected material misstatement of the other information described in the auditor's report on the audited financial statements.</p> <p>The IAASB also agreed to add new application material to explain that, when an uncorrected material misstatement of the other information has been identified in the auditor's report on the audited financial statements and that uncorrected material misstatement relates to a matter that is dealt with in the information in a document containing the summary financial statements and the auditor's report thereon, a material inconsistency between the summary financial statements and that information may exist or the information may be misleading.</p> <p>[See paragraph A15 of ISA 810 (Revised).]</p> <p>This revised approach takes into account the desire that a reference be made in the ISA 810 report to the existence of a statement about an uncorrected material misstatement of the other information in the auditor's report on the audited financial statement, while allowing for flexibility in how that matter could be described in the ISA 810 report.</p>
<p>Mr. Yurdakul also noted that there should be consistency in:</p> <ul style="list-style-type: none"> o The words used in proposed paragraph 17A(a) and proposed paragraph 17A of ISA 810 (Revised), in particular the need to refer to an <i>uncorrected</i> material misstatement of the other information; and o Proposed paragraph 24 of ISA 810, which explains that the auditor should read and consider whether there is a material inconsistency between the other information and the summary financial statements and 	<p>Point accepted.</p> <p>[See final changes to paragraphs 14–15 and 19 of ISA 810 (Revised)].</p>

Representatives' and Observers' Comments	DT / IAASB Response
whether the other information is otherwise misleading.	

Matters for CAG Consideration

7. Representatives and Observers are asked to note the Report Back above.

Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY

Updated IAASB Agenda Item 3-B, *ISA 810 (Revised), Engagements to Report on Summary Financial Statements* http://www.iaasb.org/system/files/meetings/files/20151207-IAASB-Agenda-Item-3B_UPDATED_Proposed-ISA_810-For-Board-3-Approved-Version.pdf

Appendix

Project: Auditor Reporting, Including Consequential Amendments to ISAs 800, 805 and 810

Summary

	CAG Meeting	IAASB Meeting
Report of IAASB Working Group – key findings from academic research studies on user perceptions of the standard auditor’s report	March 2010	December 2009
Issues Paper and IAASB Working Group Proposals	-	December 2010
Development of Proposed Consultation Paper	March 2011	March 2011 May 2011
Consultation – May 2011		
Further Discussion	September 2011	
Discussion of Project Proposal and Issues	March 2012	December 2011 March 2012
Discussion of the Invitation to Comment	September 2012 (limited discussion as CAG Representatives participated in the September/October 2012 roundtables	April 2012 June 2012
Discussion of Feedback from Invitation to Comment and Development of the Exposure Draft	April 2013 September 2013	September 2012 December 2012 February 2013 April 2013 June 2013
Discussion of Feedback from Exposure Draft and Development of Final ISAs – Main Auditor Reporting project	March 2014 September 2014	March 2014 June 2014 September 2014
Continued Discussion on ISA 800 Series, Including Development of the Exposure Drafts ¹³ and Discussion of Feedback on the Exposure Drafts	March 2015 September 2015 September and December 2015	December 2014 March 2015 June and September 2015

¹³ The [new and revised Auditor Reporting standards](#) were released in January 2015. IAASB discussions of auditor reporting since December 2014 relate to proposed changes to ISA 800, ISA 805 and ISA 810, as a result of the enhancements resulting from the new and revised Auditor Reporting standards.

	CAG Meeting	IAASB Meeting
IAASB approval of ISA 800 (Revised) and ISA 805 (Revised)		September 2015
IAASB approval of ISA 810 (Revised)		December 2015

CAG Discussions: Detailed References

Report of IAASB Working Group – key findings from academic research studies on user perceptions of the standard auditor’s report	<p><u>March 2010</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5253</p> <p>See CAG meeting minutes (in Agenda Item D of the following material): http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5882</p> <p>See report back on March 2010 CAG meeting (in paragraph 12 of the following material): http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=6095</p>
Development of Proposed Consultation Paper	<p><u>March 2011</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=6095 http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=6096</p> <p>See CAG meeting minutes (in Agenda Item M of the following): http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemA-Final_March_2011_Public_Minutes_APPROVED-v1-03.pdf</p> <p>See report back on March 2011 CAG meeting (in paragraph 1 of the following): http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemH1-Auditor-Reporting-V1-02.pdf</p>
Further Discussion	<p><u>September 2011</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemH-Auditor-Reporting-V1-02.pdf http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemH1-Auditor-Reporting-V1-02.pdf</p> <p>See CAG meeting minutes (in Agenda Item H of the following material): http://www.ifac.org/sites/default/files/meetings/files/20120306-IAASBCAG-Agenda_Item_A-September_2011_Public_Minutes-APPROVED.pdf</p>

<p>Discussion of the Project Proposal and Issues</p>	<p><u>March 2012</u></p> <p>See IAASB CAG meeting material included in Agenda Items G, H, K, L and M: http://www.ifac.org/meetings/brussels-belgium</p> <p>See CAG meeting Minutes (in Agenda Items G, H, K, L, and M of the following material):http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_A_March%202012_Public%20Minutes-APPROVED.pdf</p> <p>See report back on March 2012 CAG meeting: http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_F1-Auditor_Reporting_Report_Back-v4.pdf</p>
<p>Discussion of the Invitation to Comment and Development of the Exposure Draft</p>	<p><u>September 2012</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/sites/default/files/meetings/files/20120911-IAASBCAG-Agenda_Item_F1-Auditor_Reporting_Report_Back-v4.pdf</p> <p>See CAG meeting minutes (in Agenda Item F of the following): http://www.ifac.org/sites/default/files/meetings/files/20130408-IAASB-CAG-Agenda_Item_A-Public_Minutes-v5-APPROVED_0.pdf</p>
<p>Discussion of Feedback from Invitation to Comment and Development of the Exposure Drafts of ISA 700 Series</p>	<p><u>April 2013</u></p> <p>See IAASB CAG meeting material included in Agenda Items B, B.1, B.2, B.3, B.4, B.5, B.6 and B.7. http://www.ifac.org/meetings/new-york-usa-1</p> <p>See CAG final approved meeting minutes (in Agenda Item B of the following): http://www.ifac.org/sites/default/files/meetings/files/April%202013%20IAASB%20CAG%20Public%20Minutes%20a%20Approved.pdf</p> <p>See report back on April 2013 CAG meeting: http://www.ifac.org/sites/default/files/meetings/files/20130909-IAASB-CAG-Agenda_Item_C-Auditor_Reporting_Report_Back-final.pdf</p> <p><u>September 2013</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/sites/default/files/meetings/files/20130909-IAASB-CAG-Agenda_Item_C-Auditor_Reporting_Report_Back-final.pdf</p> <p>See CAG final approved meeting minutes (in Agenda Item C of the following): http://www.ifac.org/meetings/new-york-usa-2</p> <p>See report back on September 2013 CAG meeting included in Agenda Item C of the following http://www.ifac.org/meetings/new-york-usa-3</p>

	<p><u>March 2014</u></p> <p>See IAASB CAG meeting material included in Agenda Items C, C.1., C.2 and C.3. http://www.ifac.org/meetings/new-york-usa-3</p> <p>See CAG final approved meeting minutes (in Agenda Item A of the following): http://www.ifac.org/meetings/new-york-usa-4</p> <p>See report back on March 2014 CAG meeting included in paragraph 13 of Agenda Item DGI, and in paragraph 3 of Agenda Items D.1, G.1 and I.1 available at http://www.ifac.org/meetings/new-york-usa-4</p> <p><u>September 2014</u></p> <p>See IAASB CAG meeting material included in Agenda Items DGI, D.1, D.2, D.3, D.4, G.1, G.2, G.3, I.1 and I.2</p> <p>See CAG meeting minutes in Agenda Item B available at: http://www.ifac.org/meetings/new-york-usa-4</p> <p>See report back on September 2014 CAG meeting included in paragraph 5 of Agenda Item D.1 available at http://www.ifac.org/system/files/meetings/files/20150309-IAASB_CAG_Agenda_Item_D.1-Auditor_Reporting-Reportback-final.pdf</p>
<p>Continued Discussion on ISA 800 Series, Including Development of the Exposure Drafts¹⁴ and Discussion of Feedback on the Exposure Drafts</p>	<p><u>March 2015</u></p> <p>See IAASB CAG meeting material included in Agenda Items D, D.1, D.2 and D.3 http://www.ifac.org/meetings/new-york-usa-5</p> <p>See CAG final approved meeting minutes: http://www.ifac.org/system/files/meetings/files/IAASB_CAG_March_2015_Public_Sesssion-Meeting_Minutes-approved.pdf</p> <p>See report back on March 2015 CAG meeting: http://www.iaasb.org/system/files/meetings/files/20150915-IAASB_CAG_Agenda_Item_J-Auditor_Reporting_ISA_800_Series-Cover-final_0.pdf</p>

¹⁴ The [new and revised Auditor Reporting standards](#) were released in January 2015. IAASB discussions of auditor reporting since December 2014 relate to proposed changes to ISA 800, ISA 805, ISA 810, as a result of the enhancements resulting from the new and revised Auditor Reporting standards.

	<p><u>September 2015</u></p> <p>See IAASB CAG meeting material included in Agenda Items J, J.1, J.2, J.3 and J.4. http://www.iaasb.org/cag/meetings/new-york-usa-0</p> <p>See draft CAG meeting minutes: http://www.iaasb.org/system/files/meetings/files/20160308-IAASB_CAG_Agenda_Item_A-Draft_IAASB_CAG_September_2015_Public_Session_Meeting_Minutes_Marked.pdf</p> <p><u>December 2015</u></p> <p>See IAASB CAG meeting material included in Agenda Items B, B.1 and B.2. http://www.iaasb.org/cag/meetings/iaasb-cag-conference-call-december-2-2015</p> <p>See draft CAG meeting minutes: http://www.iaasb.org/system/files/meetings/files/20160308-IAASB_CAG_Agenda_Item_A.1-Draft_IAASB_CAG_December_2015_Teleconference_Minutes.pdf</p>
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