

2 November 2015

Kathleen Healy — Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017

Dear Ms. Healy,

Deloitte Touche Tohmatsu Limited (DTTL) is pleased to have the opportunity to provide comments on the Exposure Draft, proposed International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements* (proposed ISA 810 (Revised)) issued by the International Auditing and Assurance Standards Board (IAASB or the Board) in August 2015.

EXECUTIVE SUMMARY

DTTL is appreciative that the IAASB recognizes that the essence of an ISA 810 engagement is intrinsically different from that of an audit of financial statements and consequently determined that it was appropriate to issue an Exposure Draft in order to solicit further public comment to address the impact of the new and revised Auditor Reporting standards¹ on these engagements.

DTTL also acknowledges the efforts of the Board in gathering initial feedback and views specifically pertinent to the revision of extant ISA 810 from respondents during the request for comment on the Exposure Draft, proposed ISA 800 (Revised), *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*; proposed ISA 805 (Revised), *Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*; and *Proposed Conforming Amendment* (the Proposals) issued by the IAASB in January 2015.

For the reasons expressed in the DTTL comment letter on the Proposals dated 22 April 2015², DTTL continues to believe that a more comprehensive revision of extant ISA 810 is warranted, contrary to the view expressed by the IAASB in the Explanatory Memorandum (EM) to proposed ISA 810 (Revised) that it will not “initiate a more fulsome project in relation to ISA 810 in the future.” DTTL does, however, acknowledge the position taken by the Board, and appreciates that currently the only amendments to extant ISA 810 are those limited in scope to addressing the enhancements specific to the Auditor Reporting standards.

¹ The Auditor Reporting standards comprise: ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*; ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*; ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*; ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*; ISA 570 (Revised), *Going Concern*; ISA 260 (Revised), *Communication with Those Charged with Governance*; and related conforming amendments.

² Refer [IAASB ED 800 805 DTTL Comment Letter](#)

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2 November, 2015

DTTL appreciates the opportunity to provide perspectives on proposed ISA 810 (Revised) and would be pleased to discuss this letter with the staff at your convenience. If you have any questions, please contact me via email (cbuss@deloitte.ca) or at +1 416 874 3969.

Very truly yours,

A handwritten signature in black ink, appearing to read "Calvin H. Buss". The signature is fluid and cursive, with the first name "Calvin" and last name "Buss" clearly distinguishable.

Calvin H. Buss, FCPA, FCA
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APPENDIX 1

RESPONSE TO REQUESTS FOR SPECIFIC COMMENTS

DTTL's responses to the detailed questions included in the IAASB's EM accompanying proposed ISA 810 (Revised) are set forth in this appendix.

1. Whether respondents agree with the manner in which paragraph 17 has been changed to address reference to additional information that may be included in the auditor's report on the audited financial statements, as well as the additional guidance proposed in paragraph A15 and Illustration 1 of the Appendix to proposed ISA 810 (Revised).

DTTL agrees that certain of the proposed revisions to paragraph 17 and the related application guidance in paragraph A15 will assist in achieving the stated intent by the IAASB of recognizing "the public interest of greater transparency about the audit ..." ³ as well as "how best to leverage this additional transparency ... in circumstances where the auditor is also engaged to report on summary financial statements, in light of the nature and objective of the ISA 810 engagement." ⁴

However, DTTL notes that paragraph 17 is applicable only in circumstances where one, or more, of the items set out in paragraph 17(a) to (e) exist and the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial statements. DTTL however believes that to provide for consistent transparency, the reference to the auditor's report on the audited financial statements, as currently described in paragraph 17(i), should be consistently applied in the ISA 810 auditor's report, i.e., regardless of whether or not an adverse opinion is expressed as determined by paragraph 19 of proposed ISA 810 (Revised).

DTTL concurs with the manner in which a qualified opinion on the audited financial statements, and a material uncertainty related to going concern described in the auditor's report on the audited financial statements are to be dealt with in accordance with paragraph 17(ii) a and b, respectively, because these matters would be equally relevant to the users of the summary financial statements. Similarly, DTTL supports the proposal to merely highlight to the user that key audit matters (KAM) have been communicated (i.e., in accordance with paragraph 17(i)). However, for the reasons set forth below, DTTL does not concur with the additional requirements proposed in paragraph 17(ii) b, as they pertain to Emphasis of Matter (EOM), and Other Matter (OM) paragraphs, or an uncorrected material misstatement of the other information included or described in the auditor's report on the audited financial statements.

Emphasis of Matter and Other Matter

DTTL notes that the manner in which EOM and OM paragraphs are to be addressed in proposed ISA 810 (Revised) is inconsistent with how KAM are to be addressed. ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, indicates that where an item is both a KAM and EOM or OM, it should be included as a KAM in the auditor's report on the audited financial statements. Accordingly, communication of matters as KAM in the auditor's report on the full set of financial statements (and which would otherwise be treated as EOM or OM if ISA 701 had not been applied) would not be dealt with in a similar manner as EOM and OM paragraphs in proposed ISA 810 (Revised). DTTL agrees with paragraph 17(i) that it should be highlighted in the auditor's report

³ Paragraph 9 of the EM to proposed ISA 810 (Revised)

⁴ Paragraph 10 of the EM to proposed ISA 810 (Revised)

on the summary financial statements that these paragraphs have been included. However, DTTL does not agree that the auditor should be required to describe the EOM and OM and the effect(s) thereof, if any, on the summary financial statements, as required by paragraph 17(ii) b. Rather, EOM and OM paragraphs should be treated in the same manner as KAM, where the only requirement would be to highlight their existence in the auditor's report on the summary financial statements. In addition, DTTL notes that including detailed descriptions of the EOM and OM paragraphs often may have no relevance to the summary financial statements, creating confusion for the user. DTTL observes that such confusion arises in some jurisdictions where OM paragraphs are frequently used to report on certain regulatory information.

Accordingly, DTTL recommends that proposed ISA 810 (Revised) should only require the auditor to indicate that KAM, EOM and OM exist in the auditor's report on the full set of financial statements, but the auditor should not be required in all cases to provide further details on these matters in the auditor's report on the summary financial statements. Application guidance 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 auditor's report on the summary financial statements, if the auditor believes that such additional information would be of benefit to the users of the summary financial statements.

Uncorrected Material Misstatement of the Other Information

DTTL believes that the requirement in proposed ISA 810 (Revised) to make reference to an uncorrected material misstatement of the other information could be extremely confusing to the user of the summary financial statements where the other information does not contain or accompany the summary financial statements. In such circumstances this reference would have no context or relevance.

Accordingly, DTTL recommends that there should only be a reference in the auditor's report on the summary financial statements to an uncorrected material misstatement of other information when the other information contains the summary financial statements.

2. Whether respondents believe any further changes to ISA 810 are necessary as a result of the new and revised Auditor Reporting standards. If so, the IAASB would like to understand respondents' rationale as to why these further changes are needed as well as views as to when the Board should develop and propose such changes in light of its other priorities.

DTTL believes that paragraph 24 should be amended to further clarify the auditor's responsibilities and related work effort, when a material inconsistency has been identified between the other information and the summary financial statements contained in the same document. The application guidance in paragraph A20 indicates only that ISA 720 (Revised), *The Auditor's Responsibilities Related to Other Information*, adapted as necessary, may assist the auditor in addressing these circumstances. DTTL also recommends that an Illustrative example be included in the Appendix to proposed ISA 810 (Revised) that highlights how the auditor addresses an uncorrected material misstatement of other information in the auditor's report on the summary financial statements, which relates to a material inconsistency that has been identified between the other information and the summary financial statement contained in the same document.

APPENDIX 2

EDITORIAL COMMENTS AND RECOMMENDATIONS

DTTL has other editorial comments and recommendations with respect to proposed ISA 810 (Revised) as enumerated below. In these comments, recommended additional text is shown using **bold underline**; recommended deletions to the text are shown using double ~~strike through~~.

Paragraph 9

DTTL noted that in Illustrations 1 and 5 the circumstances include a reference to “established criteria,” while for Illustrations 2, 3 and 4 there is a reference to “applied” criteria. Paragraph 9 includes specific phrases to use in the auditor’s opinion when the auditor concludes that an unmodified opinion on the summary financial statements is appropriate. DTTL believes that the phrases should be amended as follows to also reflect the wording for “established criteria.”

9. When the auditor has concluded that an unmodified opinion on the summary financial statements is appropriate, the auditor’s opinion shall, unless otherwise required by law or regulation, use one of the following phrases: (Ref: Par. A9)

(a) The **accompanying** financial statements are consistent, in all material respects, with the audited financial statements, [in accordance with **describe the established criteria, or on the basis of** ~~describe the applied criteria~~]; or

(b) The **accompanying** summary financial statements are a fair summary of the audited financial statements, [in accordance with **describe the established criteria, or on the basis of** ~~describe the applied criteria~~]

Paragraph 14

For the purposes of consistency with ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, and the headings reflected in the Illustrative examples, DTTL recommends that paragraph 14 be broken down into sub-headings as follows:

- Paragraphs 14(c), (d) and (e) should be grouped under “Opinion”.
- Paragraphs 14(f) and (g) should be grouped under “Summary Financial Statements”.
- Paragraph 14(h) should be under “The Audited Financial Statements and Our Report Thereon”
- Paragraph 14(i) should be under “Management’s Responsibility for the Summary Financial Statements”
- Paragraph 14(j) should be under “Auditor’s Responsibility”

Paragraphs 12, 14(g) and Illustration 1

It was noted in paragraph 12 that the statement to be included in the auditor’s report on the

summary financial statements includes the following phrase "...that may require adjustment of, or disclosure in, the audited financial statements." This phrase is not included in the elements listed in paragraph 14(g), nor in Illustration 1 under the heading "Summary Financial Statements." DTTL recommends that the phrase be consistently used throughout proposed ISA 810 (Revised).

Paragraph 14(i)

The wording in this element should more closely reflect that in the Illustrative examples, as well as be amended to distinguish between established and applied criteria. DTTL recommends the following edits:

14(i) A description of management's responsibility for the summary financial statements, explaining that management is responsible for the preparation of ~~the~~ summary **of the audited** financial statements [in accordance with describe the established criteria, or on the basis of describe the applied criteria].

Paragraph 14(j) and All Illustrations

The description of the auditor's responsibilities is misleading as it indicates that the auditor's responsibility is to express an opinion on the summary financial statements based on the procedures. This description could be misunderstood by the user to mean that the auditor is actually expressing an opinion on the summary financial statements, rather than assuring that they are consistent, in all material respects, with the audited financial statements. Accordingly, DTTL believes the description in paragraph 14(j), and the related wording in the Illustrative examples, should be as amended follows:

14(j) A statement that the auditor is responsible for expressing an opinion on **whether** the summary financial statements **are consistent, in all material respects, with [or are a fair summary of] the audited financial statements** based on the procedures required by this ISA.

Paragraph 18

In order to conform to the preferred layout in Illustration 4, the required elements in paragraph 18 should be reordered. DTTL recommends that sub-paragraph 18(c) should be moved to before sub-paragraph 18(a).

Illustration 1

DTTL noted the addition of the following sentence to Illustration 1 as it relates to KAM: "Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period." DTTL believes that because this sentence is not one of the required elements, it should be deleted.

Minor Editorial Comments

The minor editorial comments are highlighted below:

Paragraph 17(c)

The section heading “Material Uncertainty Related to Going Concern” referred to in paragraph 17(c) should be *italicized*, consistent with the presentation elsewhere in proposed ISA 810 (Revised).

Illustrations of Reports on Summary Financial Statements

It was noted that for Illustrations 2, 3, 4 and 5 a new circumstance was added whereby the auditor’s report on the summary financial statements is dated the same as the date of the auditor’s report on the financial statements from which the summary financial statements are derived. This circumstance was inadvertently omitted from the summary descriptions of each of the applicable Illustrations immediately following the heading “Appendix.”

Illustration 1

Summary Financial Statements

... The summary financial statements, and the audited financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

...

- A Material Uncertainty Related to Going Concern section that draws ...

Illustrations 1, 2 and 3

Opinion

...

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with (or a fair summary of) ~~these~~ the audited financial statements, in accordance with [describe established criteria].