

The Institute of Public Accountants



IPA INSTITUTE OF PUBLIC
ACCOUNTANTS®

04 November, 2015

The Chairman
International Auditing and Assurance Standards Board
529 5th Avenue
New York New York
USA

Dear Sir

Exposure Draft: Engagements to Report on Summary Financial Statements

Thank you for the opportunity to comment on the proposed amendments to ISA 810 “Engagements to Report on Summary Financial Statements”. The IPA *supports* the revision to ISA 810 to the extent it aligns with the new and revised auditor reporting standards.

However, the IPA believes the proposed standard is deficient in the following areas:

Other Information in Documents Containing Summary Financial Statements

The IPA is of the opinion that summary financial statements are almost invariably accompanying other information and, in some jurisdictions, represent the primary financial reporting to investors. As such, the IPA is of the view the proposed guidance in the revised ISA 810 should explicitly address the requirements of the revised ISA 720 “The Auditor’s Responsibilities Related to Other Information”, particularly, the requirement to include an “Other Information” section in the audit report.

Alternative Non-GAAP measures of Financial Performance

The IPA believes that both ISA 720 and ISA 810 are flawed in that they do not address the reporting of non-GAAP performance measures in information accompanying the financial report. By non-GAAP measures, the IPA means substitutes for profit and loss reported under IFRS, which are used by management and those charged by governance to report and discuss financial performance of the entity in information accompanying the financial report.

The IPA believes that the use of such alternative performance measures (APM) are inconsistent with the amounts reported in the financial and as such mention should be made in the audit report when such APM are used.

Given the prominence of such alternative performance measures, as a matter of urgency the IPA would recommend amendments be made to both ISA 720 and ISA 810 to explicitly deal with APM.

The IPA believes that where APM are included in other information accompanying the financial report the “Other Information” paragraph of the audit report explicitly disclaim responsibility for such APM and state they have not been subject to audit and as such the no opinion appropriateness, accuracy or comparability of such measure can be made.

Further, the IPA believes that the IAASB deals with the matter more fully by instigating a project to amend ISA 720 and ISA 810 for addressing such APM in a manner consistent with the frameworks in

the proposed ESMA APM guidelines and/or ASIC Regulatory Guide 230 "Disclosing non-IFRS Financial Information.

Our comments on the questions asked in the Exposure Draft are in the attached appendix to this letter.

If you would like to discuss our comments, please contact me or our technical advisers Mr Stephen La Greca (stephenlagreca@aol.com) or Mr Colin Parker (colin@gaap.com.au) (a former member of the AASB), GAAP Consulting.

Yours faithfully



Vicki Stylianou
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About the IPA

The IPA is a professional organisation for accountants recognised for their practical, hands-on skills and a broad understanding of the total business environment. Representing more than 35,000 members in Australia and in over 65 countries, the IPA represents members and students working in industry, commerce, government, academia and private practice. Through representation on special interest groups, the IPA ensures the views of its members are voiced with government and key industry sectors and makes representations to Government including the Australian Tax Office (ATO), Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) on issues affecting our members, the profession and the public interest. The IPA recently merged with the Institute of Financial Accountants of the UK, making the new IPA Group the largest accounting body in the SMP/SME sector in the world.

Cc The Auditing and Assurance Standards Board

Appendix

Question

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)?

IPA Response

The IPA supports the proposed changes to ISA 810 in paragraphs 17 and A15 and Illustration 1 in the Appendix.

Question

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 on when the Board should develop and propose such changes in light of other priorities?

IPA Response

The IPA believes the amendments proposed to ISA 810 appropriately reflect the changes arising from the new and revised Auditor Reporting standards. However, the IPA does not believe the requirements of the revised ISA 720 have been adequately addressed.

The IPA is of the opinion that summary financial statements are almost invariably accompanying other information and in some jurisdictions represent the primary financial reporting to investors. As such the IPA is of the view the proposed guidance (including the example report formats in the appendix) in the revised ISA 810 should explicitly address the requirements of the revised ISA 720 "The Auditor's Responsibilities Related to Other Information", particularly, the requirement to include an "Other Information" section in the audit report. The illustrative examples in the revised standard should also be similarly amended.

Furthermore, the proposed guidance (ISA 810.24) 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.