

*Proposed Redrafted International Standard on
Auditing*

ISA 805 (Revised), Engagements to
Report on Summary Financial
Statements



International Federation
of Accountants

REQUEST FOR COMMENTS

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC), approved the exposure draft of proposed International Standard on Auditing (ISA) 805 (Revised and Redrafted), “Engagements to Report on Summary Financial Statements” for publication in July 2007. The proposed ISA may be modified in light of comments received before being issued in final form.

Please submit your comments, preferably by e-mail, so that they will be received by **November 30, 2007**. All comments will be considered a matter of public record. Comments should be addressed to:

International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Comments should be emailed to Edcomments@ifac.org. They may also be faxed to +1-212-286-9570 or mailed to the above address.

Copies of the exposure drafts may be downloaded free-of-charge from the IFAC website at <http://www.ifac.org>.

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EXPLANATORY MEMORANDUM

Introduction

This memorandum provides background to proposed International Standard on Auditing (ISA) 805 (Revised and Redrafted), “Engagements to Report on Summary Financial Statements.” The proposed ISA has been redrafted in accordance with conventions agreed by the International Auditing and Assurance Standards Board (IAASB) to be applied to all ISAs. The IAASB approved the proposed redrafted ISA for exposure in July 2007.

Background

In June 2005, the IAASB issued an exposure draft of proposed ISA 800, “The Independent Auditor’s Report on Summary Audited Financial Statements.” The comment period closed on October 31, 2005. The IAASB gave due consideration to the comments received on the proposed ISA.

The IAASB also agreed to renumber and title the ISA as ISA 805 (Revised), “Engagements to Report on Summary Financial Statements.”

In October 2006, the IAASB approved a “close off” document of ISA 805 (Revised) in the “old style” (i.e., following the IAASB’s current drafting conventions). The close off document incorporates the changes based on the comments received on the June 2005 exposure draft, and forms the basis for the proposed redrafted ISA.

The Basis for Conclusions: ISA 805 (Revised) and related close off document are available on the IAASB website at <http://www.ifac.org/Guidance/EXD-Details.php?EDID=0094>. They are referenced here for information purposes only and do not form part of the exposure draft.

The conventions used by the IAASB in redrafting ISA 805 (Revised), and the authority and obligation attaching to those conventions, are established in proposed ISA 200 (Revised and Redrafted), “Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing” approved by the IAASB as an exposure draft in April 2007, and in the amended “Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services”¹ (Preface) approved by the IAASB in September 2006.

Effective Date

The current timetable envisages that all ISAs will have been revised and redrafted, or redrafted only, by late 2008 and the IAASB has provisionally agreed that the complete set of ISAs will be effective for audits of financial statements for periods beginning on or after December 15, 2008. This date will depend on satisfactory progress being made, and will be amended to a later date should that prove necessary. The IAASB believes that it is in the interests of auditors and others who use the ISAs that the ISAs should be released as soon as they are approved so as to facilitate their implementation.

¹ The amended Preface can be accessed at http://web.ifac.org/download/IAASB_Preface.pdf. Proposed ISA 200 (Revised and Redrafted) can be accessed at <http://www.ifac.org/Guidance/EXD-Details.php?EDID=0079>.

Significant Matters

Form of Opinion

When the IAASB approved the close off document of ISA 805 (Revised), it agreed that the following matter would be drawn to the attention of respondents in this explanatory memorandum and views sought thereon.

The exposure draft of proposed ISA 800 required the auditor to express an opinion whether the summary financial statements are an appropriate summary of the audited financial statements from which they are derived, in accordance with the specified established criteria or the basis described. A small majority of respondents did not support the proposed form of opinion. Some preferred the existing form of opinion, i.e., “consistent, in all material respects.”

The IAASB debated the comments and agreed that, based on the procedures in paragraph 11 of proposed ISA 805 (Revised and Redrafted), and any other procedures that the auditor may consider necessary in the circumstances, the auditor should form an opinion whether the summary financial statements are a fair summary of the audited financial statements in accordance with the applied criteria. The procedures specified in paragraph 11 include an evaluation whether, in view of the applied criteria, the summary financial statements contain the information necessary so as not to be misleading in the circumstances.

In addition, proposed ISA 805 (Revised and Redrafted) provides for circumstances where national law or regulation governing reporting on summary financial statements prescribes wording for the opinion that is different from that described above. See paragraph 10.

Summary Financial Statements Included in Documents Relating to Securities Offered to the Public

Paragraph 1 of the close off document of ISA 805 (Revised) notes that the requirements and guidance in the ISA do not apply when reporting on summary financial statements that are included in documents relating to securities offered to the public. When the IAASB considered the close off document, a member indicated that the requirements now included in paragraphs 6(c) and 25-26 of proposed ISA 805 (Revised and Redrafted) may be problematic in the context of summary financial statements in documents relating to securities offered to the public. Recognizing that the ISA has not been drafted specifically with such documents in mind, the IAASB agreed that paragraph 1 should be included in the close off document.

The issue relating to the applicability of ISAs to financial information in documents relating to securities offered to the public is addressed in the explanatory memorandum accompanying the exposure draft of proposed ISA 720 (Redrafted), “The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements.” Pending analysis of the responses to that exposure draft, the sentence has been deleted from proposed ISA 805 (Revised and Redrafted).

Guide for Respondents

The IAASB is seeking comments **only** on changes resulting from applying the clarity drafting conventions, including the matters discussed above, and their effect on the content of the close

off document of ISA 805 (Revised). Respondents are asked to respond in particular to the following questions:

1. Are the objectives to be achieved by the auditor, stated in the proposed redrafted ISA, appropriate?
2. Have the criteria identified by the IAASB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in performance and reporting and the use of professional judgment by auditors?²

Recognizing that the final ISA will apply to audits of all sizes and in all sectors of the economy, the IAASB is also interested in comments on matters set out below.

- *Special Considerations in the Audit of Small Entities*—Respondents are asked to comment whether, in their opinion, considerations in the audit of small entities have been dealt with appropriately in the proposed redrafted ISA.
- *Special Considerations in the Audit of Public Sector Entities*—Respondents are asked to comment whether, in their opinion, special considerations in the audit of public sector entities have been dealt with appropriately in the proposed redrafted ISA.
- *Developing Nations*—Recognizing that many developing nations have adopted or are in the process of adopting the ISAs, the IAASB invites respondents from these nations to comment, in particular, on any foreseeable difficulties in applying the proposed redrafted ISA in a developing nation environment.
- *Translations*—Recognizing that many respondents intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues noted in reviewing the proposed redrafted ISA.

Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments and, where appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in the exposure draft, it will be helpful for the IAASB to be made aware of this view.

² The IAASB has identified the following criteria for determining the requirements of a Standard:

- The requirement is necessary to achieve the objective stated in the Standard;
- The requirement is expected to be applicable in virtually all engagements to which the Standard is relevant; and
- The objective stated in the Standard is unlikely to have been met by the requirements of other Standards.

In determining the requirements of a Standard, the IAASB will consider whether the requirements are proportionate to the importance of the subject matter of the Standard in relation to the overall objective of the engagement.

The criteria, which are intended only to assist the IAASB in appropriately and consistently determining requirements, may be refined as further experience is gained.

Respondents are also invited to comment on any undue costs, set against the benefits of more consistent auditor performance, arising from the fact that the proposed redrafted ISA includes requirements that would previously have been guidance under the old drafting conventions, as in the close off document of ISA 805 (Revised) (see below). In commenting on this matter, respondents should bear in mind the criteria that the IAASB has applied in redrafting the proposed ISA (see footnote 2) and the fact that the IAASB is seeking to clarify that there was some guidance in extant ISAs that was more in the nature of requirements and would already have been followed by many auditors.

Supplement to the Exposure Draft

To assist respondents in tracking changes, IAASB staff has prepared an analysis of the decisions that have been made by the IAASB with respect to the treatment of the present tense in the explanatory paragraphs of the close off document of ISA 805 (Revised). This analysis also demonstrates how the material in the close off document has been reflected in the proposed redrafted ISA. In particular, the analysis:

- Identifies existing sentences in the present tense and whether they are now treated as a requirement or as application material;
- Maps the material of the close off document to the proposed redrafted ISA; and
- Identifies explanatory material that is proposed to be eliminated or repositioned as a result of redrafting.

These staff-prepared mapping documents are available on the IAASB website at <http://www.ifac.org/Guidance/EXD-Details.php?EDID=0094>. They are for information purposes only and do not form part of the exposure draft.

To be considered, responses should be emailed to Edcomments@ifac.org. They may also be faxed to +1-212-286-9570 or mailed to 545 Fifth Avenue, 14th Floor, New York, NY 10017, USA. They should be received by **November 30, 2007**.

PROPOSED INTERNATIONAL STANDARD ON AUDITING 805
(REVISED AND REDRAFTED)
ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS

(Effective for engagements for periods beginning on or after [date])*

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International Standard on Auditing (ISA) 805 (Revised and Redrafted), “Engagements to Report on Summary Financial Statements” should be read in conjunction with [proposed] ISA 200 (Revised and Redrafted), “Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing.”

Introduction

Scope of this ISA

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

Effective Date

2. This ISA is effective for engagements for periods beginning on or after [date].¹

Definitions

3. For purposes of this ISA, the following terms have the meanings attributed below:
 - (a) Applied criteria – The criteria applied by management in preparing and presenting the summary financial statements.
 - (b) Audited financial statements – The financial statements, audited by the auditor in accordance with the ISAs, and from which the summary financial statements are derived.

Although different jurisdictions may use different terminology to describe financial information that is a summary of financial statements, for purposes of this ISA they are referred to as “summary financial statements.”

Objective

4. The objective of the auditor is to express an opinion whether the summary financial statements are a fair summary of the audited financial statements in accordance with the applied criteria.

Requirements

Engagement Acceptance

5. The auditor shall accept an engagement to report on summary financial statements in accordance with this ISA only when the summary financial statements are derived from financial statements on which the auditor has issued an auditor’s report in accordance with the ISAs. (Ref: Para. A1)
6. Before accepting an engagement to report on summary financial statements, the auditor shall request management to: (Ref: Para. A2)
 - (a) Acknowledge its responsibility for preparing and presenting the summary financial statements in accordance with the applied criteria;

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

- (b) Unless the circumstances in paragraph 8 apply, confirm that the audited financial statements will be made available to the intended users of the summary financial statements without undue difficulty; and
 - (c) Confirm that any document containing the summary financial statements that indicates that the auditor has reported on them will include the auditor's report.
7. If management refuses to provide either the acknowledgement or confirmations in paragraph 6, the auditor shall not accept the engagement, unless law or regulation prohibits the auditor from declining an engagement to report on summary financial statements. When law or regulation prohibits the auditor from declining such an engagement, the auditor shall:
- (a) Disclaim an opinion on the summary financial statements in the case of paragraph 6(a); or
 - (b) Consider seeking legal advice to assist in determining the appropriate course of action if the circumstances in paragraph 6(b) or (c) arise. (See paragraphs 25-26.)

The auditor shall also determine the effect that management's refusal may have on the auditor's acceptance of the engagement to audit the financial statements.

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

Criteria

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

Opinion

10. In some cases, law or regulation may prescribe the wording of the opinion on summary financial statements in terms that are significantly different from the requirements of this ISA. In such cases the auditor shall:
- (a) Apply the procedures described in paragraph 11 and any further procedures necessary to enable the auditor to express the prescribed opinion; and

- (b) Evaluate whether users of the summary financial statements might misunderstand the auditor’s opinion on the summary financial statements and, if so, whether additional explanation in the auditor’s report on the summary financial statements can mitigate possible misunderstanding. If the auditor concludes that additional explanation in the auditor’s report on the summary financial statements cannot mitigate possible misunderstanding, the auditor shall not accept the audit engagement, unless prohibited by law or regulation from doing so. When law or regulation prohibits the auditor from declining such an engagement, the auditor’s report on the summary financial statements shall not indicate that the engagement was conducted in accordance with ISAs.

Nature of Procedures and Form of Opinion

11. The auditor shall perform the following procedures as the basis for the auditor’s opinion on the summary financial statements:
 - (a) Evaluate whether the summary financial statements adequately disclose their summarized nature and identify the audited financial statements.
 - (b) When summary financial statements are not accompanied by the audited financial statements, evaluate whether they describe clearly:
 - (i) From whom or where the audited financial statements are available; or
 - (ii) In the circumstances addressed in paragraph 8, the law or regulation that specifies that the audited financial statements need not be made available to the intended users of the summary financial statements.
 - (c) Unless the circumstances in paragraph 8 apply, evaluate whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty. (Ref: Para. A8)
 - (d) Evaluate whether the summary financial statements adequately disclose the applied criteria.
 - (e) Compare the summary financial statements with the related information in the audited financial statements to determine whether the summary financial statements agree with or can be recalculated from the related information in the audited financial statements.
 - (f) Evaluate whether the summary financial statements are prepared and presented in accordance with the applied criteria.
 - (g) In view of the applied criteria, evaluate whether the summary financial statements contain the information necessary so as not to be misleading in the circumstances.
12. Based on the procedures in paragraph 11, and any other procedures that the auditor may consider necessary in the circumstances, the auditor shall form an opinion whether the summary financial statements are a fair summary of the audited financial statements in accordance with the applied criteria.

Timing of Work and Events Subsequent to the Date of the Auditor’s Report on the Audited Financial Statements

13. The auditor’s report on the summary financial statements may be dated later than the date of the auditor’s report on the audited financial statements. In such cases, the auditor’s report on the summary financial statements shall state that the summary financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor’s report on the audited financial statements that may require adjustment of, or disclosure in, the audited financial statements. (Ref: Para. A9)
14. The auditor may become aware of facts that existed at the date of the auditor’s report on the audited financial statements, but of which the auditor previously was unaware. In such cases, the auditor shall not issue the auditor’s report on the summary financial statements until the auditor’s consideration of such facts in relation to the audited financial statements in accordance with [proposed] ISA 560 (Redrafted), “Subsequent Events” has been completed. (Ref: Para. A10)

Auditor’s Report on Summary Financial Statements

Elements of the Auditor’s Report

15. The auditor’s report on summary financial statements, derived from audited financial statements on which an unmodified opinion is expressed,² shall include the following elements: (Ref: Para. A15)
 - (a) A title clearly indicating it as the report of an independent auditor. (Ref: Para. A11)
 - (b) An addressee. (Ref: Para. A12)
 - (c) An introductory paragraph that:
 - (i) Identifies the summary financial statements on which the auditor is reporting, including the title of each statement included in the summary financial statements; (Ref: Para. A13)
 - (ii) Identifies the audited financial statements;
 - (iii) Refers to the auditor’s report on the audited financial statements, the date of that report, and the fact that an unmodified opinion is expressed on the audited financial statements;
 - (iv) If the date of the auditor’s report on the summary financial statements is later than the date of the auditor’s report on the audited financial statements, states that the summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor’s report on the audited financial statements; and

² Paragraphs 18-19 deal with circumstances where the auditor’s report on the audited financial statements has been modified.

- (v) A statement, or reference to a note in the summary financial statements, indicating that they do not contain all the disclosures required by the financial reporting framework applied in preparing and presenting the audited financial statements, and that reading the summary financial statements is not a substitute for reading the audited financial statements.
 - (d) A description of management’s responsibility for preparing and presenting the summary financial statements in accordance with the applied criteria.
 - (e) A statement that the auditor is responsible for expressing an opinion on the summary financial statements based on the procedures required by this ISA.
 - (f) A paragraph clearly expressing an opinion whether the summary financial statements are a fair summary of the audited financial statements in accordance with the applied criteria or, in the circumstances described in paragraph 10, a paragraph clearly expressing the opinion prescribed by law or regulation.
 - (g) The auditor’s signature.
 - (h) The date of the auditor’s report. (Ref: Para. A14)
 - (i) The auditor’s address.
16. Normally the addressee of the summary financial statements is the same as the addressee of the auditor’s report on the audited financial statements. If this is not the case, the auditor shall evaluate the appropriateness of using a different addressee. (Ref: Para. A12)
17. The auditor shall date the auditor’s report on the summary financial statements no earlier than (a) the date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion, and (b) the date of the auditor’s report on the audited financial statements. Sufficient appropriate evidence shall include evidence that the summary financial statements have been prepared and that management has asserted that it has taken responsibility for them. (Ref: Para. A14)

Modifications to the Opinion, Emphasis of Matter Paragraph or Other Matter(s) Paragraph in the Auditor’s Report on the Audited Financial Statements (Ref: Para. A16)

18. When the auditor’s report on the audited financial statements contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter(s) paragraph, but the auditor is satisfied that the summary financial statements are a fair summary of the audited financial statements in accordance with the applied criteria, the auditor’s report on the summary financial statements shall, in addition to the elements in paragraph 15:
- (a) State that the auditor’s report on the audited financial statements contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter(s) paragraph; and
 - (b) Describe:
 - (i) The basis for the qualified opinion on the audited financial statements, and that qualified opinion; or the Emphasis of Matter or the Other Matter(s) paragraph in the auditor’s report on the audited financial statements; and

- (ii) The effect thereof on the summary financial statements, if any.
19. When the auditor’s report on the audited financial statements contains an adverse opinion or a disclaimer of opinion, the auditor’s report on the summary financial statements shall, in addition to the elements in paragraph 15:
- (a) State that the auditor’s report on the audited financial statements contains an adverse opinion or disclaimer of opinion;
 - (b) Describe the basis for that adverse opinion or disclaimer of opinion; and
 - (c) State that, as a result of the adverse opinion or disclaimer of opinion, it would be inappropriate to express an opinion on the summary financial statements.

Modified Opinion on the Summary Financial Statements

20. If the summary financial statements are not a fair summary of the audited financial statements in accordance with the applied criteria, and management does not agree to make the appropriate changes, the auditor shall express an adverse opinion on the summary financial statements. (Ref: Para. A17)

Restriction on Use or Distribution

21. When the use or distribution of the auditor’s report on the audited financial statements is restricted, the auditor shall restrict use or distribution of the auditor’s report on the summary financial statements accordingly.

Comparatives (Ref: Para. A18-A19)

22. If the audited financial statements contain comparatives, but the summary financial statements do not, the auditor shall determine whether such omission is reasonable in the circumstances of the engagement. The auditor shall determine the effect of an unreasonable omission on the auditor’s report on the summary financial statements.
23. If the summary financial statements contain comparatives that were reported on by another auditor, the auditor’s report on the summary financial statements shall also contain the matters included in the auditor’s report on the audited financial statements in compliance with ISA 710, “Comparatives.”

Unaudited Supplementary Information Presented with Summary Financial Statements

24. The auditor shall evaluate whether any unaudited supplementary information presented with the summary financial statements is clearly differentiated from the summary financial statements. If the auditor concludes that the entity’s presentation of the unaudited supplementary information does not differentiate it sufficiently from the summary financial statements, the auditor shall ask management to change how the unaudited supplementary information is presented. If management refuses to do so, the auditor’s report on the summary financial statements shall explain that the supplementary information is not covered by the report. (Ref: Para. A20-A21)

Auditor Association

25. The auditor may report on the audited financial statements but not on the summary financial statements. If, in this case, the auditor becomes aware that the entity plans to make a statement in a document that refers to the auditor and the fact that summary financial statements are derived from the audited financial statements, the auditor shall be satisfied that:
- (a) The reference to the auditor is made in the context of the auditor's report on the audited financial statements; and
 - (b) The statement does not give the impression that the auditor has reported on the summary financial statements.

If (a) or (b) are not met, the auditor shall request management to change the statement to meet them, or not to refer to the auditor in the document. Alternatively, the entity may engage the auditor to report on the summary financial statements and include the auditor's report in the document. If management does not change the statement, delete the reference to the auditor, or include an auditor's report on the summary financial statements in the document containing the summary financial statements, the auditor shall advise management that the auditor disagrees with the reference to the auditor, and the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately referring to the auditor. (Ref: Para. A22)

26. If the auditor has reported on summary financial statements and becomes aware that the entity plans to state that fact in a document containing the summary financial statements, but does not plan to include the related auditor's report, the auditor shall request management to include the auditor's report in the document. If management does not do so, the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately associating the auditor with the summary financial statements in that document. (Ref: Para. A22)

Application and Other Explanatory Material

Engagement Acceptance (Ref: Para. 5-6)

- A1. The audit of the financial statements from which the summary financial statements are derived provides the auditor with the necessary knowledge to discharge the auditor's responsibilities in relation to the summary financial statements in accordance with this ISA. Application of this ISA will not provide sufficient appropriate evidence on which to base the opinion on the summary financial statements if the auditor has not also audited the financial statements from which the summary financial statements are derived.
- A2. Management's acknowledgement and confirmation of the matters described in paragraph 6 may be evidenced by its written acceptance of the terms of the engagement.

Criteria (Ref: Para. 9)

- A3. Management is responsible for determining the information that needs to be reflected in the summary financial statements so that they represent a fair summary of the audited financial statements. Because summary financial statements by their nature contain aggregated information and limited disclosure there is an increased risk that they may not contain the information necessary so as not to be misleading in the circumstances. This risk increases when established criteria for preparing and presenting summary financial statements do not exist.
- A4. Factors that may affect the auditor’s determination of the acceptability of the applied criteria include:
- The nature of the entity;
 - The purpose of the summary financial statements;
 - The information needs of the intended users of the summary financial statements; and
 - Whether the applied criteria will result in summary financial statements that are not misleading in the circumstances.
- A5. The criteria for preparing and presenting summary financial statements may be established by an authorized or recognized standards setting organization or by law or regulation. As explained in ISA 210, “Terms of Audit Engagements,” in many cases the auditor may presume that such criteria are acceptable.
- A6. Where established criteria for preparing and presenting summary financial statements do not exist, criteria may be developed by management, for example, based on practice in a particular industry. Criteria that are acceptable in the circumstances will result in summary financial statements that:
- (a) Adequately disclose their summarized nature and identify the audited financial statements;
 - (b) Clearly describe from whom or where the audited financial statements are available or, in the circumstances addressed in paragraph 8, the law or regulation that specifies that the audited financial statements need not be made available to the intended users of the summary financial statements;
 - (c) Adequately disclose the applied criteria;
 - (d) Agree with or can be recalculated from the related information in the audited financial statements; and
 - (e) In view of the purpose of the summary financial statements, contain the information necessary, and are at a level of aggregation, so as not to be misleading in the circumstances.
- A7. Adequate disclosure of the summarized nature of the summary financial statements and the identity of the audited financial statements, as referred to in paragraph A6(a), may,

for example, be provided by a title such as “Summary Financial Statements Prepared from the Audited Financial Statements for the Year Ended December 31, 20X1.”

Evaluating the Availability of the Audited Financial Statements (Ref: Para. 11(c))

- A8. The auditor’s evaluation whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty is affected by factors such as whether:
- The summary financial statements describe clearly from whom or where the audited financial statements are available;
 - The audited financial statements are on public record; or
 - Management has established a process by which the intended users of the summary financial statements can obtain ready access to the audited financial statements.

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

- A9. The procedures described in paragraph 11 are often performed during or immediately after the audit of the financial statements. When the auditor is requested to report on the summary financial statements after the completion of the audit of the financial statements, the auditor is not required to obtain additional audit evidence on the audited financial statements, or report on the effects of events that occurred subsequent to the date of the auditor’s report on the audited financial statements since the summary financial statements are derived from the audited financial statements and do not update them.
- A10. Prior to issuing the report on the summary financial statements, the auditor may become aware of facts that existed at the date of the auditor’s report on the audited financial statements but of which the auditor was previously unaware. In such cases, the auditor considers such facts in relation to the audited financial statements in accordance with [proposed] ISA 560 (Redrafted). The auditor does not issue the report on the summary financial statements until such consideration has been completed, since it would be inappropriate to issue summary financial statements if the possibility of adjustment to the audited financial statements was under consideration.

Auditor’s Report on Summary Financial Statements

Elements of the Auditor’s Report

Title (Ref: Para. 15(a))

- A11. A title indicating the report is the report of an independent auditor, for example, “Report of the Independent Auditor,” affirms that the auditor has met all of the relevant ethical requirements regarding independence. This distinguishes the report of the independent auditor from reports issued by others.

Addressee (Ref: Para. 15(b), 16)

A12. Factors that may affect the auditor's evaluation of the appropriateness of the addressee of the summary financial statements include the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

Introductory Paragraph (Ref: Para. 15(c)(i))

A13. When the auditor is aware that the summary financial statements will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the summary financial statements are presented. This helps readers to identify the summary financial statements to which the auditor's report relates.

Date of the Auditor's Report (Ref: Para. 15(h), 17)

A14. The summary financial statements are the responsibility of management. The auditor therefore is not in a position to conclude that sufficient appropriate evidence has been obtained until evidence is obtained that the preparation of the summary financial statements has been completed and management has asserted that it has taken responsibility for them. The person or persons with recognized authority to provide such an assertion depend on the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

Illustrations (Ref: Para. 14)

A15. The Appendix to this ISA contains illustrations of auditors' reports that contain unmodified opinions on summary financial statements.

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

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

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

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

Comparatives (Ref: Para. 22-23)

A18. There is a presumption that if the audited financial statements contain comparatives, the summary financial statements also would contain comparatives. Comparatives in the audited financial statements may be regarded as corresponding figures or as comparative financial information. ISA 710 describes how this difference affects the auditor's report, including, in particular, reference to other auditors who audited the financial statements for the prior period.

A19. Circumstances that may affect the auditor's determination whether an omission of comparatives is reasonable include the nature and objective of the summary financial statements, the applied criteria, and the information needs of the intended users of the summary financial statements.

Unaudited Supplementary Information Presented with Summary Financial Statements

(Ref: Para. 24)

A20. [Proposed] ISA 700 (Redrafted), "The Independent Auditor's Report on General Purpose Financial Statements" contains requirements and guidance to be applied when unaudited supplementary information is presented with audited financial statements.

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

Auditor Association (Ref: Para. 25-26)

A22. Other appropriate actions the auditor may take when management does not take the requested action (see paragraphs 25-26) may include informing the intended users and other known third party users of the inappropriate reference to the auditor.

Appendix

(Ref: Para. A15- A17)

Illustrations of Reports on Summary Financial Statements

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements.
- Illustration 2: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An unmodified opinion is expressed on the audited financial statements.
- Illustration 3: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. A qualified opinion is expressed on the audited financial statements.
- Illustration 4: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An adverse opinion is expressed on the audited financial statements.
- Illustration 5: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements.

Illustration 1:

Circumstances include the following:

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

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 20X2.³

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in preparing and presenting the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

Management’s Responsibility for the Summary Financial Statements

Management is responsible for preparing and presenting a summary of the audited financial statements in accordance with [describe established criteria].

Auditor’s Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures which were conducted in accordance with International Standard on Auditing (ISA) 805 (Revised and Redrafted), “Engagements to Report on Summary Financial Statements.”

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are a fair summary of those financial statements in accordance with [describe established criteria].

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]

³ When the auditor’s report on the summary financial statements is dated later than the date of the auditor’s report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: “Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of the auditor’s report on those financial statements.”

Illustration 2:

Circumstances include the following:

- **An unmodified opinion is expressed on the audited financial statements.**
- **Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.**

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 20X2.⁴

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in preparing and presenting the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

Management’s Responsibility for the Summary Financial Statements

Management is responsible for preparing and presenting a summary of the audited financial statements on the basis described in Note X.

Auditor’s Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures which were conducted in accordance with International Standard on Auditing (ISA) 805 (Revised and Redrafted), “Engagements to Report on Summary Financial Statements.”

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are a fair summary of those financial statements on the basis described in Note X.

[Auditor’s signature]

⁴ When the auditor’s report on the summary financial statements is dated later than the date of the auditor’s report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: “Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of the auditor’s report on those financial statements.”

[Date of the auditor's report]

[Auditor's address]

Illustration 3:**Circumstances include the following:**

- **A qualified opinion is expressed on the audited financial statements.**
- **Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.**

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1.⁵ We expressed a qualified audit opinion on those financial statements in our report dated February 15, 20X2 (see below).

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in preparing and presenting the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

Management’s Responsibility for the Summary Financial Statements

Management is responsible for preparing and presenting a summary of the audited financial statements on the basis described in Note X.

Auditor’s Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures which were conducted in accordance with International Standard on Auditing (ISA) 805 (Revised and Redrafted), “Engagements to Report on Summary Financial Statements.”

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are a fair summary of those financial statements on the basis described in Note X. However, the summary financial statements are misstated to the equivalent extent as the audited financial statements of ABC Company for the year ended December 31, 20X1.

⁵ When the auditor’s report on the summary financial statements is dated later than the date of the auditor’s report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: “Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of the auditor’s report on those financial statements.”

The misstatement of the audited financial statements is described in our qualified audit opinion in our report dated February 15, 20X2. Our qualified audit opinion is based on the fact that the company's inventories are carried in the balance sheet in those financial statements at xxx. Management has not stated the inventories at the lower of cost and net realizable value but has stated them solely at cost, which constitutes a departure from International Financial Reporting Standards. The company's records indicate that had management stated the inventories at the lower of cost and net realizable value, an amount of xxx would have been required to write the inventories down to their net realizable value. Accordingly, cost of sales would have been increased by xxx, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively. Our qualified audit opinion states that, except for the effects of the described matter, those financial statements present fairly, in all material respects, (*or "give a true and fair view of"*) the financial position of ABC Company as of December 31, 20X1, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 4:

Circumstances include the following:

- **An adverse opinion is expressed on the audited financial statements.**
- **Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.**

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1.⁶

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in preparing and presenting the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

Management’s Responsibility for the Summary Financial Statements

Management is responsible for preparing and presenting a summary of the audited financial statements on the basis described in Note X.

Auditor’s Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures which were conducted in accordance with International Standard on Auditing (ISA) 805 (Revised and Redrafted), “Engagements to Report on Summary Financial Statements.”

Denial of Opinion

In our report dated February 15, 20X2, we expressed an adverse audit opinion on the financial statements of ABC Company for the year ended December 31, 20X1. The basis for our adverse audit opinion was [describe basis for adverse audit opinion]. Our adverse audit opinion stated that [describe adverse audit opinion].

⁶ When the auditor’s report on the summary financial statements is dated later than the date of the auditor’s report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: “Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of the auditor’s report on those financial statements.”

Because of the significance of the matter discussed above, it would be inappropriate to express an opinion on the summary financial statements of ABC Company for the year ended December 31, 20X1.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Illustration 5:

Circumstances include the following:

- **An unmodified opinion is expressed on the audited financial statements.**
- **Established criteria for preparing and presenting summary financial statements exist.**
- **The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements.**

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 20X5.⁷

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in preparing and presenting the audited financial statements of ABC Company]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

Management’s Responsibility for the Summary Audited Financial Statements

Management is responsible for preparing and presenting a summary of the audited financial statements in accordance with [describe established criteria].

Auditor’s Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures which were conducted in accordance with International Standard on Auditing (ISA) 805 (Revised and Redrafted), “Engagements to Report on Summary Financial Statements.”

Basis for Adverse Opinion

[Describe matter that caused the summary financial statements not to be a fair summary of the audited financial statements in accordance with the applied criteria.]

⁷ When the auditor’s report on the summary financial statements is dated later than the date of the auditor’s report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: “Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of the auditor’s report on those financial statements.”

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the summary financial statements are not a fair summary of the audited financial statements of ABC Company for the year ended December 31, 20X1 in accordance with [describe established criteria].

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]



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