

## Consequential Amendments to the ISA 800 Series – Issues and Drafting Team Recommendations

### Summary of the IAASB's Discussions at Its June 2014 Meeting

#### *ISA 800 Series Issues and Recommendations*

The Board considered the implications of the proposed enhancements resulting from its auditor reporting project on ISAs 800,<sup>1</sup> 805<sup>2</sup> and 810<sup>3</sup> (the ISA 800 Series) and the Drafting Team's (DT-700) recommendation as proposed in Agenda Item 2-F. The Board affirmed that all of the relevant ISAs apply to an ISA audit, and therefore the relevant ISAs of the 100–700 series are applicable when ISAs 800 and 805 are also relevant. Accordingly, the Board was of a view that, as a matter of principle, the proposed auditor reporting enhancements in proposed ISA 700 (Revised)<sup>4</sup> should be extended to ISA 800 and 805. It was also agreed that, since ISA 810 relates to reporting on the consistency of summary financial statements to which a “full” auditor's report has been issued, the current principles of ISA 810 would be applied to determine how the changes resulting from the auditor reporting project ought to be reflected in ISA 810.

The Board tentatively agreed to require a statement in an auditor's report on summary financial statements (ISA 810 auditor's report) that made reference to the need to read the auditor's report on the audited financial statements. In cases when the auditor had communicated key audit matters (KAM) in the auditor's report on the audited financial statements, the Board encouraged the ISA 700 Drafting Team (DT-700) to consider requiring the auditor to explicitly make reference in the ISA 810 auditor's report to the existence of KAM in the auditor's report on the audited financial statements (which may include, for example, reference to the subheadings used to highlight each KAM).

The Board tentatively agreed with the other recommendations set out in Agenda Item 2-F, except for the following:

- The Board asked DT-700 to reconsider whether disclosure of the name of the engagement partner (EP) should be required in ISAs 800 and 805 when reporting in connection with a listed entity, consistent with the DT-700's recommendation to require such disclosure in ISA 810.
- The Board asked DT-700 to further consider the applicability of auditor reporting on other information (OI) in the case of ISA 810.

The Board will consider consequential amendments to ISAs 800, 805 and 810 for approval as an Exposure Draft (ED) at its September 2014 meeting.

### Objectives of the IAASB Discussion

The following are the objectives of the IAASB discussion at its September 2014 meeting:

- Consider and discuss issues and the DT-700's recommendations in relation to consequential amendments to ISAs 800, 805 and 810.
- Provide input on drafts of proposed ISA 800 (Revised), proposed ISA 805 (Revised) and proposed ISA 810 (Revised).

<sup>1</sup> Proposed ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

<sup>2</sup> Proposed ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statements*

<sup>3</sup> Proposed ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*

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

## I. Introduction

1. At its June 2014 meeting, the IAASB affirmed that the ISAs within the 100–700 series are applicable when ISAs 800 and 805 are also being applied. Accordingly, the Board was of a view that, as a matter of principle, the proposed auditor reporting enhancements in proposed ISA 700 (Revised) should be extended to the ISA 800 Series.
2. At its June 2014 meeting, the Board considered, at a high level, the nature of each engagement addressed by ISAs 800, 805 and 810, and tentatively agreed how each of the proposed auditor reporting enhancements may apply to each type of engagement, and how these enhancements could be dealt with in the respective auditor's reports.
3. Even with the IAASB's initial steer from its June 2014 meeting, determining the extent of changes to be made to the ISA 800 Series has required the exercise of extensive judgment by DT-700. This is because of the individual complexities of the issues that exist within each standard. Sections II, III and IV of this paper recap the IAASB's tentative decisions agreed at the June 2014 meeting, and discuss those complexities and issues and DT-700's recommendations. Appendix 1 to this paper includes a table for each of the standards in the ISA 800 Series that sets out the auditor reporting proposed enhancements, the IAASB's tentative decisions from its June 2014 meeting, and a reference to the specific ISAs and agenda materials where DT-700's proposals are addressed.

### Nature of Consequential Amendments

4. As agreed by the IAASB, DT-700 has not considered fundamental changes or revisions to the ISA 800 Series and, therefore, the nature of the consequential amendments in ISAs 800, 805 and 810 are limited to:
  - Reflecting the proposed auditor reporting enhancements resulting from the new and revised auditor reporting standards;
  - Revising the layout, including the ordering of elements within the illustrative auditor's reports in the respective appendices (for example, the Opinion section is now positioned first); and
  - Revising the ordering of the requirements and application material and other explanatory to align with proposed ISA 700 (Revised).
5. The 2014 ED of proposed ISA 720 (Revised)<sup>5</sup> included conforming amendments to extant ISA 810.<sup>6</sup> Paragraphs 26 and A22 of **Agenda Items 5-D** include these changes in shaded text for reference purposes. See also Section V of this paper for further discussion of issues relating to proposed ISA 720 (Revised) and ISA 800 Series.
6. At the time that the May 2014 ED, *Proposed Changes to the International Standards on Auditing (ISAs)–Addressing Disclosures in the Audit of Financial Statements*, was finalized it was determined that the Disclosures Task Force would work with DT-700 to determine the conforming amendments for auditing disclosures in the ISA 800 Series. DT-700 has identified two additional areas where it considered conforming amendments for auditing disclosures to be appropriate (see paragraph A2 of **Agenda Item 5-C**, and paragraph 4(c) of **Agenda Item 5-D**).

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<sup>5</sup> Proposed ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

<sup>6</sup> See pages 39–40 of Agenda Item 7-B for conforming amendments to paragraphs 24 and A19 of extant ISA 810.

7. As the wording is subject to further changes as a result of the finalization of the Disclosures and ISA 720 projects, the DTs are not seeking feedback or approval on those revisions at the IAASB's September 2014 meeting. These have been included for information purposes only to indicate areas where further changes are likely.

## II. Audits of Special Purpose Financial Statements, Proposed ISA 800 (Revised) – Agenda Item 5-B

### Requirements

8. Consistent with the approach in extant ISA 800, the reporting requirements in ISA 700 and other ISAs are not repeated in proposed ISA 800 (Revised), because the requirements in proposed ISA 700 (Revised) apply when forming an opinion or reporting on special purpose financial statements (see paragraph 11 of **Agenda Item 5-B**). DT-700 is, therefore, not recommending substantive changes to the requirements in extant ISA 800. Two clarifications were deemed necessary in paragraphs 13–14 of **Agenda Item 5-B** to align with the approaches taken in proposed ISA 700 (Revised) and proposed ISA 706 (Revised),<sup>7</sup> respectively.

### Application and Other Explanatory Material

9. As agreed at the June 2014 meeting, new application material has been included in proposed ISA 800 (Revised) to help auditors properly apply the new auditor reporting enhancements in the context of auditing special purpose financial statements. Table 1 of Appendix 1 to this paper includes an overview of the proposed enhancements resulting from the auditor reporting project, the IAASB's tentative decisions at its June 2014 meeting, and the location of the requirement or guidance in the relevant ISAs. In some circumstances, explicit reference may not be made in the ISA 800 Series if, in DT-700's view, such matters are sufficiently addressed in other ISAs.
10. Paragraphs A14–A18 of **Agenda 5-B** reflects new application material to:
- Explain the application of proposed ISA 700 (Revised) and other ISAs with reporting requirements in the context of audits of special purpose financial statements.
  - Address reporting on going concern (GC), by specifically noting that the GC basis of accounting may not always be relevant for special purpose financial statements (i.e., proposed ISA 570 (Revised)<sup>8</sup> may not apply).
  - Emphasize that KAM is not required to be communicated for audits of specific purpose financial statements, unless required by law or regulation. However, similar to the position set out in proposed ISA 700 (Revised) for entities other than listed entities, application material acknowledges that the auditor of special purpose financial statements may otherwise decide to do so. The ISA also explains that when the auditor communicates KAM in the auditor's report on special purpose financial statements, proposed ISA 701 applies in its entirety.<sup>9</sup>
  - Address reporting on OI. See Section V of this paper below.
  - Highlight that the requirement in proposed ISA 700 (Revised) to disclose the name of the EP applies to audits of special purpose financial statements of listed entities.

<sup>7</sup> Proposed ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

<sup>8</sup> Proposed ISA 570 (Revised), paragraph 2

<sup>9</sup> Proposed ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

## Illustrative Auditor's Reports

### Emphasis of Matter (EOM) Paragraphs in the Illustrative Auditor's Reports

11. Proposed ISA 706 (Revised) (**Agenda Item 2-D**) requires the term "Emphasis of Matter" to be included in the heading in the auditor's reports when an EOM paragraph has been included. Paragraphs 14 and Illustrations within the Appendix to **Agenda Item 5-B** reflect this conforming change.

### Assumptions for Illustrative Auditor's Reports

12. The circumstances that are assumed for each of the illustrative auditor's reports in the Appendix to **Agenda Item 5-B** have been updated to indicate whether or not the proposed auditor reporting enhancements or particular circumstances that may require auditor reporting are applicable. When such enhancements or circumstances are applicable to a given illustrative auditor's report, the report has been amended accordingly. For example, a new bullet has been added to indicate whether proposed ISA 570 (Revised) is applicable.

#### Matter for IAASB Consideration

1. The IAASB is asked to provide input on the matters discussed in this section and on DT-700's proposed consequential amendments to the requirements, application and other explanatory material and illustrative auditor's reports in proposed ISA 800 (Revised) (**Agenda Item 5-B**).

## III. Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement, Proposed ISA 805 (Revised) – Agenda Item 5C

### Requirements

13. Paragraph 11 of extant ISA 805 explicitly states that the requirements in ISA 700 apply in forming an opinion and reporting on a single financial statement or on an element of a financial statement "adapted as necessary in the circumstances of the engagement." Similar to the proposed approach taken in ISA 800 discussed in paragraph 8 above, DT-700 is therefore not recommending substantive changes to the requirements in extant ISA 805.
14. Extant ISA 805 also includes specific requirements for auditors to consider in terms of the potential implications for the auditor's report on a single financial statement or on an element of a financial statement (ISA 805 auditor's report) when the auditor is also engaged to audit the entity's complete set of financial statements. DT-700 was of the view that it was necessary to consider enhancements to these requirements to address the implications on the ISA 805 auditor's report, including the new reporting elements in the related ISA 700 auditor's report.
15. Paragraph 14 of extant ISA 805 requires that, if the ISA 700 auditor's report includes a modified opinion, an EOM paragraph or an OM paragraph, the auditor shall determine the effect that this may have on the ISA 805 auditor's report. When deemed appropriate, the auditor shall modify the opinion on the single financial statement or on the specific element of a financial statement, or include an EOM paragraph or OM paragraph in the auditor's report, accordingly.
16. DT-700 was of the view that the standard would be clearer if the requirements and related application material relating to modified opinions were dealt with separately. This is because DT-700 was of the view that there are two types of relevant information in the ISA 700 auditor's report that need to be considered by an auditor in the context of ISA 805 auditor's reports – modified opinions and additional information contained in the auditor's report. In extant ISA 805

additional information contained in the auditor's report was limited to EOM and OM paragraphs. Under proposed ISA 700 (Revised) new elements of the ISA 700 auditor's report resulting from the auditor reporting enhancements now exist (i.e., material uncertainty (MU) related to GC, material misstatement in other information, and KAM). Accordingly, DT-700 recommends that the requirements and corresponding application material relating to modified opinions in ISA 805 be presented in a new section under with sub-heading titled "Modified Opinion in the Auditor's Report on the Entity's Complete Set of Financial Statements" (see paragraphs 16–19, and A25–A26 of **Agenda Item 5-C**).

17. Also, in light of the proposed auditor reporting enhancements, DT-700 was of the view that it was necessary to expand the requirement in paragraph 14 of extant ISA 805 to address reporting about a MU relating to GC and material misstatements of the OI so as to retain the fundamental reporting principles in extant ISA 805, as these concepts were previously addressed by required EOM and OM paragraphs, respectively. The new and revised requirements are included in paragraphs 14–15 of **Agenda Item 5-C**, under a new sub-section with a heading titled "Additional Information Contained in the Auditor's Report on the Entity's Complete Set of Financial Statements".
18. As discussed in paragraph 26 below, DT-700 concluded, with input from DT-701, that KAM was more appropriately dealt with separately in new application material as discussed below.

#### **Application and Other Explanatory Material**

##### *Applicability of Proposed ISA 700 (Revised) When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement*

19. To assist auditors in applying the auditor reporting enhancements in proposed ISA 700 (Revised) in the context of an audit of a single financial statement or on a specific element of a financial statement, new application material was developed in support of paragraph 11 of proposed ISA 805 (Revised). This new application material is included in paragraphs A17–A21 of **Agenda Item 5-C**.

##### *Additional Information Contained in the Auditor's Report on the Entity's Complete Set of Financial Statements*

20. Paragraph A22 of **Agenda Item 5-C** includes revisions to the extant ISA 805 application material to align to, and complement, the changes made to the corresponding requirement addressing additional information contained in the auditor's report on the entity's complete set of financial statements. For example, new application material that is included in paragraph A23 of **Agenda Item 5-C** relating to "Material Uncertainty Related to Going Concern" explains the importance of including the section in the auditor's report on the single financial statement or specific element.

##### **Including KAM in the ISA 805 Auditor's Report**

21. At its June 2014 meeting, the IAASB tentatively agreed that KAM could be communicated voluntarily in the ISA 805 auditor's report. Accordingly, DT-700 has included application material in paragraph A19 of **Agenda Item 5-C** acknowledging the possibility of voluntary application of KAM in the context of the audit of the single financial statement or element.
22. DT-700 and DT-701 deliberations identified a number of potential complexities in communicating KAM in an ISA 805 auditor's report in the circumstance when KAM had been communicated in the ISA 700 auditor's report. For an audit of a complete set of financial

- statements, KAM are determined using a threshold of most significance to the audit as a whole, taking into account the communications with those charged with governance.
23. If KAM were to be communicated in the ISA 805 auditor's report, it would be necessary for the auditor to undertake a separate determination of KAM in the context of the auditor's report on that financial statement or element of the financial statement (ISA 805 engagement). This will likely result in matters of "most significance" that differ in the context of an ISA 805 engagement compared to those determined in the context of an engagement to audit the full set of general purpose financial statements.
  24. When the auditor has communicated KAM in the auditor's report on the complete set of general purpose financial statements, it is possible, however, that certain of the KAM may be relevant to the audit of a single financial statement or specific element of a financial statement. Practical challenges may exist for the auditor's report on the single financial statement or specific element to refer or include a sub-set of the KAM from the auditor's report on the complete set of general purpose financial statements in terms of, for example, the need to tailor the introductory language of the KAM section.
  25. Recognizing the Board's initial view about the voluntary inclusion of any relevant KAM in an ISA 805 auditor's report, and the overall sentiment of not unduly complicating the requirements in proposed ISA 805 (Revised), DT-700 concluded with the input of DT-701 that, when the auditor has communicated KAM in the auditor's report on the complete set of financial statements, it is not necessary to require the auditor to determine the effect that such KAM may have on the single financial statement or specific element. Thus, KAM is not addressed in the requirements in proposed ISA 805 (Revised).
  26. However, application material in paragraph A23 of **Agenda Item 5-C** explains that the auditor may consider whether it may be relevant to communicate in the ISA 805 auditor's report any KAM communicated in the ISA 700 auditor's report that are also relevant to the audit of the single financial statement or specific element.

#### **Illustrative Auditor's Reports**

27. The nature of the changes made to the illustrative auditor's report in proposed ISA 805 (Revised) are the consistent with those discussed in paragraphs 11–12 of this paper.

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

2. The IAASB is asked to provide input on the matters discussed in this section and on DT-700's proposed consequential amendments to the requirements, application and other explanatory material and illustrative auditor's reports in proposed ISA 805 (Revised) (**Agenda Item 5-C**).

#### **IV. Engagements to Report on Summary Financial Statements, Proposed ISA 810 (Revised) – Agenda Item 5-D**

28. In determining the amendments necessary to extant ISA 810, DT-700 exercised significant judgment in considering the level of detail that should be in the auditor's report on the summary financial statements in light of the proposed auditor reporting enhancements. Together with the feedback received from the IAASB at its June 2014 meeting (see Table 3 at Appendix 1 to this paper), DT-700 was of the view that the ISA 810 auditor's report should:

- Remain concise in light of the nature of the engagement (i.e., an engagement to report on the consistency of the summary financial statements with the audited financial statements).
- **Not** be a substitute for reading the auditor’s report on the audited financial statements.
- Where applicable, highlight the existence of important additional information contained in the auditor’s report on the audited financial statements, such as:
  - EOM or OM paragraphs;
  - A section addressing “Material Uncertainty Related to Going Concern;”
  - A section communicating “Key Audit Matters;” or
  - A material misstatement of the OI (See Section V below).
- Incorporate new auditor reporting requirements intended to enhance transparency in the public interest (for example, the statement about independence and the naming of the EP for audits of financial statements of listed entities).

### **Elements of the Auditor’s Report on Summary Financial Statements (ISA 810 Auditor’s Report)**

#### *Changes to Align to Proposed ISA 700 (Revised)*

29. In contrast to ISAs 800 and 805, which link directly to proposed ISA 700 (Revised), extant ISA 810 prescribes elements to be included in the ISA 810 auditor’s report. These reporting elements are symmetrical to the elements that are required in an auditor’s report on audited financial statements (i.e., paragraphs 21–42 of extant ISA 700), though tailored in light of the nature of an ISA 810 engagement. To preserve this symmetry, DT-700 is recommending changes to paragraph 14 of **Agenda Item 5-D** to reorder and align those reporting requirements to the new requirements in proposed ISA 700 (Revised) (i.e., paragraphs 21-49 of **Agenda Item 4-B**). The more substantive of these changes are the requirements for:
- (a) The “Opinion” section to be positioned first – see paragraph 14(c) of **Agenda Item 5-D**;
  - (b) The “Basis for Opinion” section to be positioned directly following the Opinion section – see paragraph 14(d) of **Agenda Item 5-D**;
  - (c) A statement about independence and ethical requirements to be included – see paragraph 14(d)(ii) of **Agenda Item 5-D**; and
  - (d) The name of the EP responsible for the auditor’s report on the summary financial statements of a listed entity to be included – paragraph 14(f) of **Agenda Item 5-D**.

#### *Auditor’s Responsibility*

30. Extant ISA 810 required an Auditor’s Responsibility section in the auditor’s report on the summary financial statement that states that “the auditor is responsible for expressing an opinion on the summary financial statements based on the procedures required by proposed ISA 810 (Revised).” This statement is now required to be presented in the Basis for Opinion section, paragraph 14(d)(i) of **Agenda Item 5-D**. Accordingly, the ISA 810 auditor’s report in accordance with proposed ISA 810 (Revised) will no longer include an Auditor’s Responsibility section.

#### *Additional Information Contained in the Auditor’s Report on Audited Financial Statements*

31. As discussed at paragraph 16–17 above in relation to ISA 805 auditor’s reports, DT-700 was of the view that there are two types of relevant information in the ISA 700 auditor’s report that may be relevant – modified opinions, and additional information contained in the auditor’s report. In extant ISA 810, this additional information contained in the auditor’s report was limited to EOM and OM paragraphs. Similar to the approach taken in proposed ISA 805 (Revised) above, DT-700 was of the view that:
- The requirements and corresponding application material relating to modified opinions in ISA 810 should be presented in a new section under with sub-heading titled “Modifications to the Opinion in the Auditor’s Report on the Audited Financial Statements” (see paragraphs 18–19 of **Agenda Item 5-D**); and
  - The requirements in paragraph 17 of extant ISA 810 should be expanded to address the new auditor reporting enhancements (for example, MU relating to GC and KAM). Those new requirements are included in paragraphs 17 of **Agenda Item 5-D**, under a new sub-section with a heading titled “Additional Information Contained in the Auditor’s Report on the Audited Financial Statements.”
32. DT-700 has developed an approach for the illustrative reports that uses a heading titled “Additional Information Contained in the Auditor’s Report” (see Illustrations 1 and 2A to the Appendix of **Agenda Item 5-D**) as well as sub-headings for topics presented, and in the case of KAM, some illustrative language. Other than for:
- MU related to GC for which a prescribed heading and specific content was determined necessary (see paragraph 17(a) of **Agenda Item 5-D**); and
  - KAM where the title of each subheading required by proposed ISA 701 is required to be included (see paragraph 17(c) and A18 of **Agenda Item 5-D**);
- this presentation of the matters in these Illustrations (i.e., the titles of the headings and sub-headings and the illustrative wording) is not prescribed.
33. Though DT-700 was of the view that it was important to highlight additional information in the auditor’s report on the audited financial statements, DT-700 members also believed that it was important for the ISA 810 auditor’s report to emphasize the importance of reading the underlying audited financial statements and the auditor’s report thereon. Accordingly, paragraph 14(c)(v) of **Agenda Item 5-D** includes this new requirement.

#### Disclosure of the Name of the EP

34. DT-700 was of a view that users of the ISA 810 auditor’s report are also interested in knowing the name of the EP on the audit of the financial statements of listed entities, if different to the auditor responsible for the ISA 810 auditor’s report (see paragraph 17(e) of **Agenda Item 5-D**)
35. In making this recommendation, DT-700 considered the practical challenges of requiring both EP names to be included in the ISA 810 report, including those related to actual and perceived increased legal liability exposure in certain jurisdictions. Consideration was also given to the following facts:
- Having the name of the EP on the audit of the financial statements of listed entities in the resulting ISA 810 auditor’s report, if different, was most transparent.
  - The disclosure of the EP name is a short sentence, and thus does not make the ISA 810 auditor’s report significantly longer when two EPs are mentioned.

- The IAASB at its June 2014 meeting expressed support for having the name of the EP included in the ISA 810 report for audits of listed entities, akin to its conclusion on the topic in proposed ISA 700 (Revised).

Illustration 1 within the Appendix to **Agenda Item 5-D** illustrates how this might be done in practice.

#### Option Considered for Reporting Additional Information Contained in the Auditor's Report on Audited Financial Statements

36. DT-700 considered an alternate way of presenting additional information contained in the auditor's report on the audited financial statements in the auditor's report on the summary financial statements. An illustration of this alternate presentation is included in Appendix 2 to this paper, and was put forward as a way of further abbreviating the illustrative ISA 810 auditor's report in **Agenda Item 5-D**.
37. This approach includes a short bulleted list, rather than separate sub-sections, to highlight additional information contained in the auditor's report on the audited financial statements. Comparison of the illustrations in Appendix 2 to this paper and Illustrations 1 and 2A of the Appendix to **Agenda Item 5-D** indicate that a potential advantage of this alternate approach is that it retains a more concise auditor's report on the summary financial statements.
38. Also, without the use of subheadings, the illustration in Appendix 2 to this paper does not repeat the details from the respective sections in the auditor's report on the audited financial statements. Those DT-700 members who favored this option were of a view that such details may not be relevant in the context of summary financial statements. Notwithstanding the merits of the approach put forth in Appendix 2 to this paper, DT-700 believes the approach presented in Illustrations 1 and 2A of **Agenda Item 5-A** is preferable as it:
  - Highlights further important details about the audit, and the audited financial statements, for example, by presenting the KAM sub-headings;
  - Is more consistent with the underlying rationale of greater transparency for the significant changes that have been made to ISA 700 (Revised); and

It was also noted that the alternative option if adopted would have consequential effects on the requirements in paragraph 17 of **Agenda Item 5-D** as currently drafted as well as extant ISA 810.

#### *Modified Opinion on the Summary Financial Statements*

39. Revised paragraph 21 of **Agenda Item 5-D** includes a new requirement similar to the one in paragraph 16 of proposed ISA 705 (Revised),<sup>10</sup> which would require the auditor to tailor the titles of the headings for the "Opinion" and "Basis for Opinion" when the auditor's report on the summary financial statements is modified.

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<sup>10</sup> ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

**Matter for IAASB Consideration**

3. The IAASB is asked to provide input on the matters discussed in this section and on DT-700's proposed consequential amendments to the requirements, application and other explanatory material, and illustrative auditor's reports in proposed ISA 810 (Revised) (**Agenda Item 5-D**).

**V. Other Considerations Relating to Revising the ISA 800 Series**

**Applicability of Proposed ISA 720 (Revised) to ISA 800 and 805 Engagements**

40. Because the relevant ISAs of the 100–700 series are applicable in an ISA 800 or 805 engagement, the requirements and guidance relating to the auditor's work effort under proposed ISA 720 (Revised) apply when OI is included with special purpose financial statements, single financial statement or a specific elements a financial statement. On this basis, DT-700 concluded that no changes would be needed to the requirements in ISAs 800 and 805, as the reporting on OI required by paragraph 32 of proposed ISA 700 (Revised) would apply.
41. However, no explicit mention of OI is included in ISA 800 or ISA 805, nor was the ISA 800 Series addressed in proposed ISA 720 (Revised). In light of the Board's proposals to enhance auditor reporting on OI and the need for clarity as to when such enhancements apply, DT-700 is of the view that it would be helpful to:
- Clarify within the requirements in proposed ISA 720 (Revised) that when there is no OI, proposed ISA 720 (Revised) does not apply to audits of financial statements. This could then be referenced in application material within ISAs 800 and 805 as indicated by placeholders in paragraphs A17 of **Agenda Item 5-B** and A20 of **Agenda Item 5-C**, respectively.
  - Update the illustrative auditor's reports to address one example each of situations when the auditor has not identified a material misstatement of the OI, as well as when the auditor has identified a material misstatement of the OI. The illustrative auditor's reports in **Agenda Items 5-B** and **5-C** do not include OI sections, but instead include placeholders indicating that "No other information is issued that contains or accompanies the audited financial statement(s)".

**Applicability of Proposed ISA 720 (Revised) to ISA 810**

42. Neither extant ISA 720 nor extant ISA 810 indicate whether summary financial statements, related summary annual reports or other forms of OI associated with the summary financial statements are captured within the definition of OI, and this is also not addressed in proposed ISA 720 (Revised). DT-700 was of a view it is important for the Board to first come to a view as to this question, so as to inform whether and, if so, how auditor reporting on OI may be part of an ISA 810 engagement.
43. ISA 810 explains that an auditor cannot accept an engagement to report on summary financial statements without having audited the underlying full financial statements. DT-700 concluded, with input from the ISA 720 Task Force, that summary financial statements and summary annual reports would constitute OI in the context of the audit on the financial statements (i.e., proposed ISA 720 (Revised) and proposed ISA 700 (Revised)).
44. This means that, as part of the auditor's work effort on the full financial statements and the OI in accordance with proposed ISA 720 (Revised), the auditor would form a view as to whether

there was a material misstatement in the summary financial statements or the summary annual report (OI that would be included with the summary financial statements). The ISA 700 auditor's report would describe the auditor's responsibilities for OI and identify the summary financial statements and summary annual report (as both would be OI). If applicable, the auditor would report on any material misstatement of this OI in the ISA 700 auditor's report.

45. In considering whether the ISA 810 auditor's report should make reference to OI, DT-700 is of a preliminary view that:
- In circumstances when no material misstatement is identified in the OI (either in the summary financial statements or the summary annual report), the auditor's report on the summary financial statements would not need to include information about the auditor's responsibilities with respect to OI as this would be described in detail in the ISA 700 auditor's report, which the ISA 810 auditor's report directs users to read.
  - In the case when an uncorrected material misstatement of OI has been included in the ISA 700 auditor's report, it would be important to highlight this material misstatement of the OI in the report on the summary financial statements. This approach is consistent with how OM paragraphs are dealt with in paragraph 17 of extant ISA 810. Paragraph 17(d) of **Agenda Item 5-D** includes a placeholder with DT-700's proposal for this requirement.
46. DT-700's initial deliberations on the various complexities and interactions of ISA 720 and ISA 810 indicate the following preliminary views that may be useful for the ISA 720 TF's further consideration:
- Paragraphs 24 and A19 of extant ISA 810 could be deleted, provided that it is made clear in the ISAs (preferably proposed ISA 720 (Revised)) that proposed ISA 720 (Revised) applies in the context of an engagement to report on summary financial statements.
  - It is unclear as to whether proposed ISA 720 (Revised) applies when summary financial statements or summary annual reports are released by the client after the date of the auditor's report on the audited financial statements.

DT-700 and ISA 720 TF will further deliberate these issues taking into account any direction from the IAASB.

**Matter for IAASB Consideration**

4. The IAASB is asked to provide input on the matters discussed in this section and conclude on an approach for moving forward in amending the ISA 800 Series with respect to OI.

## Overview of Decisions and DT-700's Recommendations

### A. Table 1 – Audits of Special Purpose Financial Statements – ISA 800

Proposed Enhancements	IAASB June 2014 Decision	Proposed Requirement/Guidance
Opinion required first	Require	Proposed ISA 700 (Revised) ( <b>Agenda Item 4-B</b> ), paragraph 23
Statement of independence and other relevant ethical responsibilities	Require	Proposed ISA 700 (Revised), paragraphs 28(c) and A34–A39
GC (Required statement when a MU Exists)	Require, when applicable	Proposed ISA 700 (Revised), paragraph 29 Proposed ISA 570 (Revised) ( <b>Agenda Item 3-B</b> ), paragraph 22 Proposed ISA 800 (Revised) ( <b>Agenda Item 5-B</b> ), paragraphs A14–A15
KAM	Not required (unless by law or regulation), but allow for voluntary application	Proposed ISA 700 (Revised), paragraphs 30–31 Proposed ISA 800 (Revised), paragraph A16
OI (i) Description of auditor's work effort with respect to OI (ii) Statement about material misstatement of the OI described in the ISA 700 auditor's report	When applicable, require both	Proposed ISA 700 (Revised), paragraph 32 Proposed ISA 800 (Revised), paragraph A17 for OI placeholder
Enhanced description of the auditor's responsibilities, including those related to GC (where GC is relevant to the special purpose financial statements)	Require	Proposed ISA 700 (Revised), paragraphs 34(b), 39(b)(iv), and A48
Disclosure of the name of the EP	Require for audits of special purpose financial statements of listed entities	Proposed ISA 700 (Revised), paragraphs 46 and A59–A61 Proposed ISA 800 (Revised), paragraph A18

**B. Table 2 – Audit of a Single Financial Statement – ISA 805**

Proposed Enhancements	IAASB June 2014 Decision	Proposed Requirement/Guidance
Opinion required first	Require	Proposed ISA 700 (Revised), paragraph 23
Statement of independence and other relevant ethical responsibilities	Require	Proposed ISA 700 (Revised), paragraphs 28(c) and A34–A39
GC (Required statement when a MU Exists)	Require, when applicable	Proposed ISA 700 (Revised), paragraph 29 Proposed ISA 570 (Revised), paragraph 22 Proposed ISA 805 (Revised) ( <b>Agenda Item 5-C</b> ), paragraphs 15 and A17–A18
KAM	Not required (unless by law or regulation), but allow for voluntary application	Proposed ISA 700 (Revised), paragraphs 30–31 Proposed ISA 805 (Revised), paragraph A19
OI (i) Description of auditor's work effort with respect to OI (ii) Statement about material misstatement of the OI described in the ISA 700 auditor's report	When applicable, require both	Proposed ISA 700 (Revised), paragraph 32 Proposed ISA 805 (Revised), paragraphs 15 and A17 for OI placeholder
Enhanced description of the auditor's responsibilities, including those related to GC (where GC is relevant to the single financial statement or element)	Require	Proposed ISA 700 (Revised), paragraphs 34(b), 39(b)(iv), and A48
Disclosure of the name of the EP	Require for audit of a single financial statement of listed entities	Proposed ISA 700 (Revised), paragraphs 46 and A59–A61 Proposed ISA 805 (Revised), paragraph A21

**C. Table 3 – Engagements to Report on Summary Financial Statements**

Proposed Enhancements	IAASB June 2014 Decision	Proposed Requirement/Guidance
Statement that reading the auditor's report on the summary financial statements is not a substitute for reading the auditor's report on the audited financial statements	Require	Proposed ISA 810 (Revised) ( <b>Agenda Item 5-D</b> ), paragraph 14(c)(v)
Opinion required first	Require	Proposed ISA 810 (Revised), paragraph 14(c)
Statement of independence and other relevant ethical responsibilities	Require	Proposed ISA 810 (Revised), paragraphs 14(d)(ii) and A15
GC (Required statement when a MU Exists)	When applicable, require reference to ISA 700 auditor's report and an explicit statement about the MU and effect on the summary auditor's report (consistent with extant ISA 810 treatment of EOM paragraphs)	Proposed ISA 810 (Revised), paragraph 14(c)(v) for reference to the ISA 700 auditor's report and paragraphs 17(a) and A18 for GC.
KAM	Require a reference to the auditor's report to the ISA 700 auditor's report and indicate the KAM subheadings.	Proposed ISA 810 (Revised), paragraph 14(c)(v) for reference to the ISA 700 auditor's report and paragraph 17(c) and A18 for KAM
OI [Contained in the auditor's report on the audited financial statements] (i) Description of auditor's work effort with respect to OI (ii) Statement about material misstatement of the OI described in the ISA 700 auditor's report	For (i) when applicable, require a reference to the ISA 700 auditor's report. For (ii), when applicable, require a statement that refers to the material misstatement in the ISA 700 auditor's report (consistent with extant ISA 810 treatment of OM paragraphs)	Proposed ISA 810 (Revised), paragraph 14(c)(v) for reference to the ISA 700 auditor's report and paragraphs 17(d) and A18 for OI placeholder.
Enhanced description of auditor's responsibilities, including those related to GC (where GC is relevant to the special purpose financial statements)	<b>N/A</b>	<b>N/A</b>
Disclosure of the name of the EP	Require for audits of summary financial statements of listed entities	Proposed ISA 810 (Revised), paragraphs 14(f), 17(e) and A16

## Alternate Presentation of Additional Information Contained in the Auditor’s Report on Audited Financial Statements in the ISA 810 Auditor’s Report

### REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Shareholders of ABC Company [or Appropriate Addressee]

#### Opinion

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 notes to the financial statements, including a summary of accounting policies, are derived from the audited financial statements of ABC Company (the 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. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

In our opinion, the summary financial statements derived from the audited financial statements of the Company for the year ended December 31, 20X1 are consistent, in all material respects, with (or a *fair summary of*) those financial statements, in accordance with [*describe established criteria*].

The summary financial statements do not contain all the disclosures required by [*describe financial reporting framework applied in the preparation of the audited financial statements of the Company*]. Reading the summary financial statements and this report, therefore, is not a substitute for reading the audited financial statements of the Company and the auditor’s report thereon.

#### Basis for Opinion

We conducted our procedures in accordance with ....

#### Responsibility of Management for the Summary Financial Statements

Management is responsible for ....

#### Additional Information Contained in the Auditor’s Report on the Audited Financial Statements

We draw attention to the existence of the following matters contained in the auditor’s report on the Company’s audited financial statements. As noted above, reading this report is not a substitute for reading the auditor’s report on those audited financial statements. That auditor’s report includes:

- A description of key audit matters that, in the auditor’s judgment, were of most significance in the audit of those financial statements [*Inclusion of the subheadings for individual key audit matters would be **voluntary**, and not required*].
- A reference to the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.
- An emphasis of matter or other matter paragraph about [*describe basis*]

[*Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction*]

[*Auditor’s address*]

[*Date*]