
Standard on Auditing (SA) 810

Engagements to Report on Summary Financial Statements

Overview

- ▶ Introduction
- ▶ Objectives
- ▶ Definitions
- ▶ Requirements
 - ▶ Engagement acceptance
 - ▶ Nature of procedures
 - ▶ Form of opinion
 - ▶ Timing of work and events subsequent to date of auditors report on the audited financial statements
 - ▶ Auditors report on summary financial statements
 - ▶ Modification to the opinion , emphasis of matter paragraph
 - ▶ Restriction on distribution or use of alerting readers to the basis of accounting
 - ▶ Comparatives
 - ▶ Unaudited supplementary information presented with summary financial statements
 - ▶ Auditors association

Scope

- ▶ Deals with auditor's responsibilities.
- ▶ When undertaking engagement to report.
- ▶ On summary financial statements (SFS).
- ▶ Derived from FS audited in accordance with SA.
- ▶ By that same auditor.

Objectives

- ▶ The objectives of the auditor are to:
 - ▶ Determine whether it is appropriate to accept the engagement to report on summary financial statements;
 - ▶ Form an opinion on the summary financial statements based on an evaluation of the conclusions drawn from the evidence obtained; and
 - ▶ Express clearly that opinion through a written report that also describes the basis for that opinion.

Definitions

- ▶ For purposes of this SA, the following terms have the meanings attributed below:
 - ▶ **Applied criteria** – The criteria applied by management in the preparation of the summary financial statements.
 - ▶ **Audited financial statements** – Financial statements audited by the auditor in accordance with SAs, and from which the summary financial statements are derived.
 - ▶ **Summary financial statements** – Historical financial information that is derived from financial statements but that contains less detail than the financial statements, while still providing a structured representation consistent with that provided by the financial statements of the entity's economic resources or obligations at a point in time or the changes therein for a period of time. Different jurisdictions may use different terminology to describe such historical financial information.

Requirements – Engagement acceptance

The auditor shall, ordinarily, accept an engagement to report on summary financial statements in accordance with this SA only when the auditor has been engaged to conduct an audit in accordance with SAs of the financial statements from which the summary financial statements are derived .

Requirements – Engagement acceptance

Before accepting the Engagement

DETERMINE whether applied criteria are acceptable

AGREE with mgmt the form of opinion to be expressed on SFS

OBTAIN mgmt agreement that it acknowledges & understands its responsibilities

Do not accept engagement if:

- criteria are unacceptable OR
- Unable to obtain mgmt agreement unless required by L&R

Requirements – Nature of procedures

- ▶ **EVALUATE:**
- ▶ Whether SFS adequately:
 - ▶ Disclose their summarised nature; &
 - ▶ Identify the audited FS.
- ▶ If SFS are not accompanied by audited FS, whether they clearly describe:
 - ▶ From whom or where audited FS are available; OR
 - ▶ L&R that specifies that audited FS need not be made available to intended users of SFS & establishes criteria for preparation of SFS.
- ▶ Whether SFS adequately disclose the applied criteria.
- ▶ Whether SFS are prepared in accordance with applied criteria.
- ▶ Whether SFS contain necessary info & are appropriately aggregated so as not to be misleading.
- ▶ Whether audited FS are available to intended users without undue difficulty.

Requirements – Nature of procedures(contd)

COMPARE:

- ▶ SFS with related info in audited FS to determine if SFS agree with or can be re-calculated from related info in audited FS.

Requirements – Form of opinion

- ▶ **Unmodified opinion on SFS, include in auditor's opinion:**
 - ▶ SFS are consistent, in all material respects, with audited FS, in accordance with (applied criteria)
 - OR**
 - ▶ SFS are fair summary of audited FS in accordance with (applied criteria)

- ▶ **If L&R prescribe different wordings:**
 - ▶ Apply the procedures described in slides relating to nature of procedures and any further procedures necessary to be able to express the prescribed opinion; and
 - ▶ Evaluate whether users of SFS might misunderstand the auditor's opinion on SFS and, if so, whether additional explanation in the auditor's report on SFS can mitigate possible misunderstanding.

Timing of Work & Subsequent Events

- ▶ Report on SFS may be dated later than date of report on audited FS:
 - ▶ Audit report to state that SFS and audited FS do not reflect the effects of events after the date of audit report.
- ▶ Date the report on the SFS no earlier than:
 - ▶ Date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion, including evidence:
 - ▶ SFS have been prepared; and
 - ▶ Recognized authority have asserted their responsibility for SFS.
 - ▶ Date of report on the audited FS.

Requirements – Dating of the report subsequent to the financial statements date

- ▶ 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 SA 560 (Revised) has been completed.

Requirements – Elements of the audit report

- ▶ Title of the report
- ▶ Addressee of the report
- ▶ Introductory paragraph identifying the audited financial statements , summary financial statements, any subsequent events, statement indicating that the summary financial statements do not contain all disclosures , description regarding the management’s responsibility in preparation of the summary financial statements .
- ▶ A paragraph containing the audit opinion
- ▶ The auditors signature, registration number etc, date and place of the signature

Qualified Opinion/ EoM/ OM Para in Report on Audited FS

- ▶ If satisfied that SFS are consistent in all material respects or are a fair summary of audited FS in accordance with applied criteria, report on SFS to also:
 - ▶ State that audit report on FS contains qualified opinion/ EoM/OM para
AND
 - ▶ Describe:
 - ▶ Basis for qualified opinion on audited FS, and that qualified opinion; or EoM/ OM para; and
 - ▶ Effect thereof on SFS, if any.

Adverse/ Disclaimer of opinion in Audit Report

Additional matters to be given in audit report:

- ▶ Statement that audit report contains adverse/ disclaimer of opinion;
- ▶ Description of basis of such opinion;

AND

- ▶ Statement that as a result of adverse/ disclaimer of opinion it is inappropriate to express an opinion on SFS.

Modified Opinion on SFS

Express adverse opinion if:

- ▶ SFS are not consistent in all material respects with or are not a fair summary of audited FS in accordance with applied criteria.

AND

- ▶ Management does not agree to make the necessary changes.

Restriction on Distribution/ Use

- ▶ When distribution or use of the auditor's report on the audited FS is restricted, or the auditor's report on the audited FS alerts readers that the audited FS are prepared in accordance with a special purpose framework, the auditor shall include a similar restriction or alert in the auditor's report on SFS.

Requirements – Comparatives

- ▶ If audited FS contain comparatives, but SFS do not, **determine whether such omission is reasonable in the** circumstances of the engagement.
- ▶ **Determine the effect of an unreasonable omission on the auditor’s report on SFS.**
- ▶ If SFS contain **comparatives that were reported on by another auditor:**
 - ▶ Auditor’s report on SFS shall also contain the matters that SA 710 (Revised) requires the auditor to include in the auditor’s report on the audited FS.

Unaudited Supplementary Info Presented with SFS

- ▶ Evaluate whether such info. is clearly differentiated from SFS.
- ▶ If entity's presentation of such info. is not clearly differentiated from SFS, the auditor shall ask management
- ▶ to change the presentation of such info.
- ▶ If management refuses to do so, the auditor to explain in auditor's report on SFS that such information is not covered by that report.

(see SA 700(R))

Other Info. In Documents Containing SFS

- ▶ **READ other info to identify material inconsistencies *vis a vis* SFS.**
- ▶ If material inconsistency identified:
 - ▶ Determine whether SFS or other info needs revision.
- ▶ If material misstatement of fact identified:
 - ▶ Discuss the matter with mgt.

(see SA 720).

Auditor Association

- ▶ If auditor becomes aware that entity plans to state that auditor has reported on SFS in a document containing SFS, 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 SFS in that document.