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Ms. Kathleen Healy
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017
USA

Exposure Draft: Proposed International Standard on Auditing (ISA) 810 (Revised) Engagements to Report on Summary Financial Statements

Dear Ms. Healey,

BDO International Limited¹ is pleased to have the opportunity to comment on the International Auditing and Assurance Standards Board (IAASB or Board) Exposure Draft (ED) in respect of *ISA 810 (Revised) Engagements to Report on Summary Financial Statements*.

We are supportive of the IAASB's overall approach of proposing amendments of certain International Standards² in order to finalize the package of changes brought about by the new Auditor Reporting standards³. We believe that the nature and objective of an ISA 810 (Revised) engagement are substantially different from an audit of financial statements. Therefore we supported the decision of the IAASB to consider ISA 810 (Revised) separately from the recent Exposure Draft (ED) on ISA 800 (Revised) and ISA 805 (Revised). In our opinion, and consistent with the views we expressed on ISA 800 (Revised) and ISA 805 (Revised) in our letter dated April 22, 2015, it is not necessary to substantively change the premise of an ISA 810 (Revised) engagement, but rather to make limited changes to take into account the enhancements contained within the revised Auditor Reporting standards.

Specific Matters

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

(a) Amendment to ISA 810 (Revised) to address an information gap

We note that the extant ISA 810 requires the auditor to draw attention in the ISA 810 report to certain additional information included in the auditor's report on the audited financial statements. In principle we support the expansion of paragraph 17 in order to provide greater transparency for users in circumstances where a material uncertainty related to going concern or a material misstatement of other information exists. While we are supportive of the approach

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² The IAASB's International Standards applies to the focus of this Exposure Draft and comprise the International Standards on Auditing (ISAs), International Standards on Quality Controls (ISQCs), International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs).

³ The new Auditor Reporting standards include ISA 700 (Revised), ISA 701, ISA 705 (Revised) and ISA 706 (Revised).

adopted by the IAASB we acknowledge that there may be valid arguments that would suggest, particularly in respect of the paragraph 17 part (i) requirement, that the auditor should be able to exercise some level of judgment about whether a statement that describes an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised) should be provided. We recognise that where a misstatement of other information is not reported in the summary statements then it could create less clarity for a user of an ISA 810 (Revised) report; conversely directing a user to the full financial statements, which is the intention of this requirement, might increase transparency. On balance though, we support the proposed approach.

(b) *New requirement to include a reference to the communication of Key Audit Matters (KAM)*

We support the IAASB's proposed inclusion of a new requirement in paragraph 17 part (i) to require that in respect of an ISA 810 (Revised) report, a reference is made to the existence of the communication of KAM within the auditor's report on the financial statements. We strongly support the IAASB's conclusion that the requirement in paragraph 17 part (i) does not extend to a description of individual key audit matters; were it to do so, we believe that this could confuse users of the ISA 810 (Revised) report. We welcome inclusion of the new paragraph A15 which provides clarity on this matter.

(c) *Alignment of illustrative auditor's reports consistent with ISA 700 (Revised)*

We support the modifications proposed to the illustrative auditor's reports which we believe will be helpful to auditors conducting ISA 810 (Revised) engagements. In respect of illustration 1 which provides an example of the statement required by paragraph 17 when the auditor's report on the audited financial statements includes a material uncertainty related to going concern section and communication of other key audit matters, we noted that the illustration provides additional content which is not actually required. We acknowledge the discussions highlighted in the ED about the IAASB's view that inclusion of the explanatory sentence '*Key audit matters are those matters which, in our professional judgment, were of most significance in our audit of the financial statements of the current period*' is helpful to preparers of ISA 810 (Revised) reports. In order to prevent content which is not required by paragraph 17 being included in the report, the IAASB might want to consider using parentheses or footnotes in this particular section.

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

Given the nature of the proposed amendments, we do not foresee at this stage any specific matters that would indicate the need for further changes to ISA 810 (Revised).

Aside from the specific areas discussed in our above comments, we are also supportive of the minor amendments that have been proposed throughout the ED on ISA 810 (Revised). After further review of paragraph 17, which has now been expanded by the proposals in this ED, we do, however, believe that the IAASB might want to re-consider the structure of this particular paragraph which, from a reader perspective, is now fairly lengthy and contains a number of bullet and sub-bullet points.

General Matters

a) Preparers

We have no comments on this particular question.

b) Developing Nations

Within our international network, we have a number of member firms operating in developing nations. We recognize that in many of their national frameworks, adoption of ISAs is still in its infancy and, as a consequence, the importance of clarity of the ISAs is essential. At this time we do not believe that the proposed conforming amendments identified within ISA 810 (Revised) will give rise to foreseeable difficulties in developing nation environments.

c) Translations

We have long supported IFAC efforts to make ISAs and other IFAC pronouncements accessible to users through effective and timely translation. Many of the auditing terms and concepts contained in ISA 810 (Revised) are present in other ISAs so at this stage we do not foresee any difficulties in respect of translation.

d) Effective Date

We agree with the effective date and proposed alignment with the other revised Auditor Reporting standards.

We appreciate the opportunity to comment on the IAASB's Exposure Draft and hope that our comments and suggestions will be helpful to you in your deliberations.

Please contact me should you wish to discuss any of these comments.

Yours sincerely,
BDO International Limited

Wayne Kolins
Global Head of Audit and Accounting