



**INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA**

GUIDELINES ON APPLICATION OF ISA 810 (REVISED) - 'ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS'

REVISED JULY 2021

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DISCLAIMER

This Paper contains guidance to ICPAU members that is indicative of the regulatory requirements and good practice in performing engagements to report on summary financial statements.

The Paper is not intended to be comprehensive or to deal with all situations that might be encountered. This Paper is supplementary to and is not a substitute for reading the International Standards on Auditing and other relevant laws and regulations, which should be regarded as the primary source of guidance.

The information provided in this Paper does not, and is not intended to, constitute legal advice. If in doubt, ICPAU members are advised to seek appropriate legal advice.

Whereas every care has been taken in the preparation of this paper, the ICPAU disclaims any responsibility or liability that may occur, directly or indirectly, as a consequence of the use and application of the Paper.

1.0 INTRODUCTION

1.1 Establishment

1.1.1 The Institute of Certified Public Accountants of Uganda (ICPAU) was established in 1992 by the Accountants Act, Cap 266 as amended by the Accountants Act, 2013. The functions of the Institute are:

- a. To regulate and maintain the standard of accountancy in Uganda; and
- b. To prescribe and regulate the conduct of accountants and practicing accountants in Uganda.

1.1.2 ICPAU's Vision is "To be a World-class Professional Accountancy Institute".

1.1.3 ICPAU's Mission is "To develop and promote the accountancy profession in Uganda and beyond."

1.2 Setting and Maintaining Professional Standards of Accountancy

1.2.1 In pursuit of its statutory obligation, the Institute adopted the International Standards on Auditing (ISA) and other related standards issued by the International Auditing and Assurance Standards Board (IAASB) for application in Uganda, in 1999.

1.2.2 Section 13 of the Accountants Act, among others, empowers the Council of Institute:

- a. To ensure the maintenance of professional standards by the members of the institute and to take steps to acquaint the members with methods and practices necessary to maintain those standards.
- b. To issue and adopt internationally accepted accounting and auditing standards, promote their usage and make suitable adaptation where necessary.

1.2.3 These practice guidelines aim at clarifying and promoting consistency of application of the requirements of the ISA 810 (Revised) - Engagements to Report on Summary Financial Statements in respect of the published summary financial statements.

1.3 Interpretation

1.3.1 In these Guidelines the following means, unless the context requires otherwise—

- a. Applied criteria - The criteria applied by management in the preparation of the summary financial statements.
- b. Audited financial statements - Financial statements audited by the auditor in accordance with ISAs, and from which the summary financial statements are derived.
- c. Summary financial statements - Historical financial information that is derived from financial statements but 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.

2.0 THE GUIDELINES

2.1 Background to the Guidelines

- 2.1.1 Following consultations and discussions with Bank of Uganda regarding the requirements of the Financial Institutions (External Auditors) Regulations, 2010 and consultations with several members it was agreed that guidance needed to be provided on the appropriate auditor's report to accompany published summary financial statements.
- 2.1.2 Section 12 (1) of the Financial Institutions (External Auditors) Regulations, 2010 states that; "A financial institution shall, within four months after the end of its financial year, publish its audited annual financial statements and the external auditor's report, in a newspaper circulating in the whole of Uganda in the format prescribed in the Schedule to these Regulations".
- 2.1.3 It was noted that an auditor's report prepared under ISA 700, 705, 706 could only be published alongside the entire set of financial statements including the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of changes in cash flows and the explanatory notes.
- 2.1.4 As a result, communication was circulated to practicing firms to consider the requirements of ISA 810 (Revised) 'Engagement to Report on Summary Financial Statements' to guide the preparation of the auditor's report on summary financial statements.

2.2 Purpose of the Guidelines

- 2.2.1 The purpose of these Guidelines is to prescribe guidance on how practitioners should deal with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs by the same.
- 2.2.2 Under various laws and regulations financial institutions, insurance companies and listed entities are required to publish summary financial statements.
- 2.2.3 An auditor shall apply ISA 810 (Revised) in preparing reports on summary financial statements.

3.0 ENGAGEMENT ACCEPTANCE

- 3.1 As required by ISA 810 (Revised), the auditor shall accept an engagement to report on summary financial statements in accordance with this ISA only when the auditor has been engaged to conduct an audit in accordance with ISAs of the financial statements from which the summary financial statements are derived.
- 3.2 Before accepting an engagement to report on summary financial statements, the auditor shall therefore;
- a. Determine whether the applied criteria are acceptable;
 - b. Obtain the agreement of management that it acknowledges and understands its responsibility:
 - i. For the preparation of the summary financial statements in accordance with the applied criteria;
 - ii. To make the audited financial statements available to the intended users of the summary financial statements without undue difficulty; and
 - iii. To include the auditor's report on the summary financial statements in any document that contains the summary financial statements and that indicates that the auditor has reported on them.
 - c. Agree with management the form of opinion to be expressed on the summary financial statements.
- 3.3 The auditor is not expected to accept the engagement if he/she concludes that the applied criteria are unacceptable or is unable to obtain the agreement of management as mentioned in paragraph (b) above.
- 3.4 The auditor's engagement letter shall include a requirement to be consulted before the client publishes any summary financial statements.

4.0 NATURE OF PROCEDURES

- 4.1 The auditor shall perform the procedures required under ISA 810 (Revised), and any other procedures that the auditor may consider necessary, as the basis for the auditor's opinion on the summary financial statements: The procedures may include:
- 4.1.1 Evaluate whether the summary financial statements adequately disclose their summarized nature and identify the audited financial statements.
 - 4.1.2 When summary financial statements are not accompanied by the audited financial statements, evaluate whether they describe clearly:
 - a. From whom or where the audited financial statements are available; or
 - b. 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 and establishes the criteria for the preparation of the summary financial statements.
 - 4.1.3 Evaluate whether the summary financial statements adequately disclose the applied criteria.

- 4.1.4 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.
- 4.1.5 Evaluate whether the summary financial statements are prepared in accordance with the applied criteria.
- 4.1.6 Evaluate, in view of the purpose of the summary financial statements, whether the summary financial statements contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- 4.1.6 Evaluate whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty, unless law or regulation provides that they need not be made available and establishes the criteria for the preparation of the summary financial statements.

5.0 FORM OF OPINION

- 5.1 When the auditor has concluded that an unmodified opinion on the summary financial statements is appropriate, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases:
 - a) The summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with [the applied criteria]; or
 - b) The summary financial statements are a fair summary of the audited financial statements, in accordance with [the applied criteria].
- 5.1.1 The form and nature of the Auditor's report is illustrated in **Appendix I**.

6.0 EVENTS SUBSEQUENT TO THE DATE OF THE AUDITOR'S REPORT ON THE AUDITED FINANCIAL STATEMENTS

- 6.1 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 should 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..
- 6.2 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 ISA 560 has been completed.

7.0 ELEMENTS OF THE AUDITOR'S REPORT

7.1 The auditor shall prepare a report on summary financial statements based on requirements of ISA 810 (Revised). The auditor's report on summary financial statements shall include the following elements:

- a. A title clearly indicating it as the report of an independent auditor;
- b. An addressee;
- c. Identification of the summary financial statements on which the auditor is reporting, including the title of each statement included in the summary financial statements;
- d. Identification of the audited financial statements;
- e. A clear expression of an opinion;
- f. A statement indicating that the summary financial statements do not contain all the disclosures required by the financial reporting framework applied in the preparation of the audited financial statements, and that reading the summary financial statements and the auditor's report thereon is not a substitute for reading the audited financial statements and the auditor's report thereon;
- g. 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;
- h. Reference to the auditor's report on the audited financial statements, the date of the report, and (as applicable) the fact that an unmodified opinion is expressed in the audited financial statements;
- i. A description of management's responsibility for the summary financial statements, explaining that management is responsible for the preparation of the summary financial statements in accordance with the applied criteria;
- j. A statement that the auditor is responsible for expressing an opinion based on the auditor's procedures conducted in accordance with this ISA on whether the summary financial statements are consistent, in all material respects, with the audited financial statements;
- k. The auditor's signature;
- l. The auditor's address; and
- m. The date of the auditor's report.

7.3 Where the addressee of the summary financial statements is not the same as the addressee of the auditor's report on the audited financial statements, the auditor shall evaluate the appropriateness of using a different addressee.

7.4 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, including evidence that the summary financial statements have been

- prepared and those with the recognized authority have asserted that they have taken responsibility for them; and
- b. The date of the auditor's report on the audited financial statements.

8.0 MODIFICATIONS TO THE OPINION, EMPHASIS OF MATTER PARAGRAPH OR OTHER MATTER PARAGRAPH IN THE AUDITOR'S REPORT ON THE AUDITED FINANCIAL STATEMENTS

8.1 When the auditor's report on the audited financial statements contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter paragraph, a material uncertainty related to going concern, communication of key audit matters, a statement that describes an uncorrected material misstatement of other information but the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or 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:

- 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 paragraph, a material uncertainty related to going concern section, communication of key audit matters, or a statement that describes an uncorrected material misstatement of other information; and

- b. Describe:

- i) The basis for the qualified opinion on the audited financial statements, and that qualified opinion and the effect thereof, if any on the summary financial statements;
 - ii) The matter referred to in the Emphasis of Matter or the Other Matter paragraph or in the Material uncertainty related to going concern section in the auditor's report on the audited financial statements and the effect(s) thereof if any on the summary financial statements; or
 - iii) The uncorrected material misstatement of other information and the effect(s) thereof, if any on the information included in a document containing the summary financial statements and the auditor's report thereon.

8.2 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:

- 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 is inappropriate to express an opinion on the summary financial statements.

8.3 The form and nature of the auditor's report is illustrated in Appendix II.

9.0 MODIFIED OPINION ON THE SUMMARY FINANCIAL STATEMENTS

9.1 If the summary financial statements are not consistent, in all material respects, with or are not a fair summary of the audited financial statements, in accordance with the applied criteria, and management does not agree to make the necessary changes, the auditor shall express an adverse opinion on the summary financial statements.

10.0 CONCLUSION

10.1 These guidelines are intended to assist practitioners in quality improvement activities. The Guidelines are supplementary to and not substitute for reading and applying International Standard on Auditing (ISA) 810 (Revised).

APPENDIX I: INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS OF ABC COMPANY LIMITED

The Directors

[Address of ABC Company Limited]

Opinion

The summary financial statements, which comprise the summary statement of financial position at 31 December 20X1, the summary income statement, the summary statement of changes in equity and the summary statement of the cash flows for the year then ended are derived from the audited financial statements of ABC Company Limited for the year ended 31 December 20X1.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the basis described in Note X.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by the (the applied criteria). Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 28 February 20X1.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary financial statements in accordance with (described established criteria).

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements."

[Signature of the auditor]

[Address of the Auditor]

[Date of the report]

APPENDIX II: INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS OF ABC COMPANY LIMITED

[Appropriate Addressee]

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 20X2, the summary income statement, the summary statement of changes in equity and the summary statement of the cash flows for the year then ended are derived from the audited financial statements of ABC Company Limited for the year ended 31 December 20X2. We expressed a qualified audit opinion on those financial statements in our report dated 15 May 20X2.

In our opinion, the summary financial statements are consistent, in all material respects, with the audited 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 31 December 20X2.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by the (describe the applied criteria). Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed a qualified audit opinion on the audited financial statements in our report dated 15 May 20X2. The basis for our qualified audit opinion was management had 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 increased by xxx, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx respectively.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the financial statements on the basis described in Note X.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements."

Opinion

[Signature of the auditor]

[Address of the Auditor]

[Date of the auditor's report]