

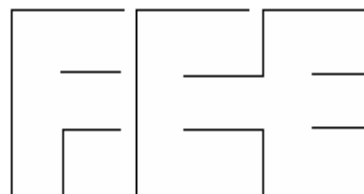
Date
21 November 2007

Le Président

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Mr. J. Sylph
Executive Director Professional Standards
International Auditing and Assurance Standards Board (IAASB)
545 Fifth Avenue, 14th Floor
New York, New York 10017
USA



Edcomments@ifac.org

Dear Mr. Sylph,

Re: Exposure Draft – Proposed Redrafted International Standard on Auditing (ISA) 805 (Revised) on Engagements to Report on Summary Financial Statements

As the representative organisation of the European accountancy profession, FEE is pleased to comment on the Exposure Draft – Proposed Redrafted International Standard on Auditing (ISA) 805 (Revised) on Engagements to Report on Summary Financial Statements (Proposed ISA 805).

FEE considers that Proposed ISA 805 has improved the clarity of the existing standard. Our suggested comments which follow would further improve Proposed ISA 805. This letter also includes our responses to the questions set out in the proposed document.

1. Main Comment

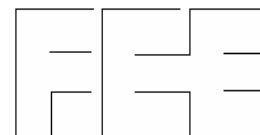
Form of the opinion (paragraphs 4, 10, 12, 15 (f), 18 and 20) and objective

Form of opinion

Although Proposed ISA 805 is a redrafted and not a revised standard, FEE would like to respond to the IAASB invitation to comment on the 'Form of Opinion' in the 'Guide for Respondents' in the Explanatory Memorandum. The auditor is required to express an opinion as to whether the summary financial statements are a *fair summary* of the audited financial statements in accordance with the applied criteria. This wording is different from the requirement:

- In extant ISA 800 which requires an opinion on *consistency* with the audited financial statements from which it was derived; and
- In the June 2005 Exposure Draft which requires an opinion as to whether the information in the summarized financial statements is an *appropriate summary* of the audited financial statements from which it was derived, in accordance with the specified established criteria or the basis described.

The change from a summary which is *consistent* with the audited financial statements over an *appropriate* summary to a *fair* summary is not explained in the Explanatory Memorandum and such explanation would have been helpful.



FEE has reservations about the wording of the objective of the auditor as expressed in Proposed ISA 805, i.e. to give an opinion whether the summary financial statements are a *fair* summary of the audited financial statements in accordance with the applied criteria, as this may result in difficulties in some European Union countries.

FEE is concerned that some users of summary financial statements may confuse a *fair summary* with *fair presentation* as used for the audit of a complete set of financial statements. Users may not be clear as to the similarities or differences between the terms and may believe that a second layer of judgement and subjectivity has been created in order to arrive at a *fair* summary of a fair presentation.

This potential for misunderstanding will, in some cases, be exacerbated when the term "fair presentation" is translated. There are European languages in which the translation of the term "true and fair" only consists of one word (mainly reflecting the term "fair" rather than the term "true"). Since the term "fair" in the context of Proposed ISA 805 is reflecting upon a summary of financial statements, the translation of this term might conflict with the translation of the term "true and fair" which is being used when expressing an opinion on the financial statements.

Furthermore, Paragraph 11, which deals with the auditor's procedures, the auditor's role is to apply procedures to ensure that they agree with or can be recalculated from the related information in the underlying audited financial statements. The auditor is required to evaluate whether the summary financial statements contain the information necessary so as not to be misleading in the circumstances. This is no different to the auditor's ethical responsibility not to be associated with misleading information and it is not a basis for concluding on the 'fairness' of the summarisation.

FEE therefore recommends that the IAASB:

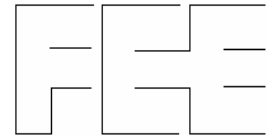
(1) More clearly and earlier in Proposed ISA 805 allows for flexibility in the form of opinion as wording other than *fair summary* is currently mandated in a number of jurisdictions in the European Union for reporting on summary financial statements. Therefore, we consider it essential that paragraph 10 in Proposed ISA 805 makes it clearer that the Standard allows that in such jurisdictions the auditor is able to continue to use prescribed wording for the opinion that is different from '*fair summary*'

Paragraph 10 (a) refers to situations where law or regulation may prescribe the wording of the opinion on summary financial statements in terms that are significantly different to the requirements of Proposed ISA 805, would be improved by including the wording of paragraph 21 of the 'Close Off Document', which better describes what the auditor ought to do in such circumstances, i.e., which is to use the legally prescribed wording,

(2) Clarifies that the auditor's work effort for a summary which is *consistent* with the audited financial statements or for a *fair* summary of the audited financial statements is intended to be the same **or** provides further guidance to understand what amount of work and how much professional judgment is required for the auditor to be able to come to the conclusion that the summary financial statements are *fair*. This is not clear, since paragraph 10 permits the auditor to report in different terms to those used in wording the requirement in paragraph 12.

Objective

Since FEE has reservations about the wording of the proposed opinion, FEE also has reservations about the wording of the objective, which closely mirrors the opinion.



2. Other Comments

2.1 Comments on Requirements

Paragraphs 13 and A9

It would improve the clarity of Proposed ISA 805 and it would also benefit users of the opinion if the fact stated in paragraph A9: 'that the auditor has not carried out any more audit procedures on the underlying data'; was included explicitly in paragraph 13 and in the text of the opinion as follows:

We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 20X2 and have since not carried out any audit procedures related to the figures presented therein.'

If anything comes to the attention of the auditor it would be dealt with in accordance with ISA 560. This is mentioned also in paragraph 15 (c) (iv) but is not included in the illustrations in the appendix, although it will often be the case that the opinion on the summary financial statements is issued later than the one on the complete set of financial statements.

Paragraph 15 (c) (iv)

We believe it would be useful to include in the 'Appendix - Illustrations of Reports on Summary Financial Statements' an illustration of the auditor's report in the situation where 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.

Paragraph 26

The wording of the last sentence in paragraph 26 has been firmed-up from extant paragraph 34 by requiring the auditor to carry out appropriate actions to prevent management from inappropriately associating the auditor with the summary financial statements. Auditors may be able to do very little in such circumstances and it would be preferable to require the auditor to *consider* appropriate actions. We appreciate IAASB's problems with the use of the word 'consider' but we believe that this is one instance of it being appropriate.

Furthermore, informing intended users and other known third parties as suggested in paragraph A22 might be prevented by professional secrecy rules and other legal impediments. This should be acknowledged.

2.2 Comments on Application and Other Explanatory Material.

Paragraph A6

Paragraph A6 should have the deleted text from extant paragraph 12 referring to the auditor being required to determine whether the criteria are acceptable, restored. It is worthy of repetition here.

Paragraph A22

Reference is made to our comments on paragraph 26.

The auditor should also consider obtaining legal advice in this paragraph.

3. Responses to IAASB's Request for Responses to Questions

3.1 Are the objectives to be achieved by the auditor, stated in the proposed redrafted ISA, appropriate?

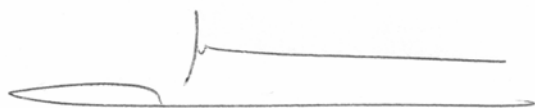
No. FEE has reservations about the wording of the objective of the auditor as expressed in Proposed ISA 805 , i.e. to give an opinion whether the summary financial statements are a *fair* summary of the audited financial statements in accordance with the applied criteria, as this may result in difficulties in some European Union countries. Since FEE has reservations about the wording of the proposed opinion, FEE also has reservations about the wording of the objective, which closely mirrors the opinion.

3.2 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 the use of professional judgment by auditors?

Reference is made to our main comments above on the objective and form of opinion and to our comments above on paragraphs 13, 15 (c) (iv) and 26.

If you have any further questions about our views on these matters, please do not hesitate to contact us.

Yours sincerely,



Jacques Potdevin
President