



*Promoting Professionalism in Accountancy*

**INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
OF UGANDA**

**GUIDELINES ON APPLICATION OF  
ISA 810 - 'ENGAGEMENTS TO REPORT ON SUMMARY  
FINANCIAL STATEMENTS'**

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## **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 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 among members of the institute and to take steps to acquaint the members with methods and practices necessary to maintain those standards.
- b. To promote the usage of internationally accepted accounting and related standards in Uganda and to 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 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, 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 '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 in preparing reports on summary financial statements.

## **3.0 ENGAGEMENT ACCEPTANCE**

- 3.1 As required by ISA 810, the auditor shall accept an engagement to report on summary financial statements in accordance with this ISA 810 Report on Summary Financial Statements; 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, 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.

## **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 that may require adjustment of, or disclosure in, the audited financial statements.

## **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.
- 7.2 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. An introductory paragraph that:
    - (i) Identifies the summary financial statements on which the auditor is reporting, including the title of each statement included in the summary financial statements;
    - (ii) Identifies the audited financial statements;

- (iii) Refers to the auditor's report on the audited financial statements, the date of that report, and, subject to paragraphs 17-18, the fact that an unmodified opinion is expressed on the audited financial statements;
  - (iv) 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; and
  - (v) 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 is not a substitute for reading the audited financial statements.
- d. 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.
  - e. A statement that the auditor is responsible for expressing an opinion on the summary financial statements based on the procedures required by ISA 810.
  - f. A paragraph clearly expressing an opinion.
  - g. The auditor's signature.
  - h. The date of the auditor's report.
  - i. The auditor's address.

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, 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, in addition to the elements in paragraph 7:

- 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; and
- b. Describe:
  - i) The basis for the qualified opinion on the audited financial statements, and that qualified opinion; or the Emphasis of Matter or the Other Matter paragraph in the auditor's report on the audited financial statements; and
  - ii) The effect thereof on the summary financial statements, if any.

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, in addition to the elements in paragraph 7:

- 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 The guidelines set forth herein in are intended to serve as minimum standards and assist practitioners in quality improvement activities. The Guidelines shall be applied together with International Standard on Auditing (ISA) 810.



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

**The Directors**  
***[Address of ABC Company Limited]***

The accompanying summary financial statements, which comprise the summary statement of financial position at 31 December 2011, the summary income statement, the summary consolidated statement of comprehensive income, 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 2011.

We expressed an unmodified audit opinion on those financial statements in our report dated 28 February 2011. 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 Group financial statements.

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards and in the manner required by the Companies Act, Cap 110. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company Limited.

### **Directors' responsibilities for the Summary Financial Statements**

The Directors are responsible for the preparation and fair presentation of a summary of the audited financial statements in accordance with (described established criteria).

### **Auditor's responsibility**

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

### **Opinion**

In our opinion, the summary financial statements derived from the audited financial statements of ABC Company Limited for the year ended 31 December 2011 are consistent, in all material respects, with those financial statements in accordance with (described established criteria).

*[Signature of the auditor]*  
*[Date of the report]*  
*[Address of the Auditor]*

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

### ***[Appropriate Addressee]***

The accompanying summary financial statements, which comprise the summary statement of financial position as at 31 December 20X2, the summary income statement, the summary statement of comprehensive income, 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.

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards and in the manner required by the Companies Act (Cap 110). Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company Limited.

### **Directors' Responsibilities for the Summary Financial Statements**

The Directors are responsible for the preparation of a summary of the audited financial statements in accordance with (described established criteria).

### **Auditor's responsibility**

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

### **Opinion**

In our opinion, the summary financial statements derived from the audited financial statements of ABC Company Limited for the year ended 31 December 20X1 are consistent, in all material respects, with those financial statements in accordance with the (described established criteria).

However, we expressed a qualified audit opinion, on the audited financial statements, in our report dated 15 May 20X2. Our qualified audit opinion is based on the fact that we were unable to obtain sufficient appropriate audit evidence that the company's opening balances relating to loans and advances amounting to Shs. XXXX billion do not contain misstatements that materially affect the company's financial performance and cash flows for the current year. Our qualified audit opinion states that, except for the possible effects of the described matter, those financial statements present fairly, in all material respects, the financial position of ABC Company Limited as at 31 December 20X1, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, Cap 110.

Therefore, the summary financial statements may be misstated to the equivalent extent as the audited financial statements of ABC Company Limited for the year ended 31 December 20X2.

*[Signature of the auditor]*

*[Date of the report]*

*[Address of the Auditor]*