

**REVIEW REPORT: COMPLIANCE WITH ISA
810 (REVISED) DISCLOSURE
REQUIREMENTS**

FEBRUARY 2024

1.0 INTRODUCTION

ICPAU conducted a review to assess the extent of compliance of published summary financial statements in Uganda with the requirements of ISA 810 (Revised). *ISA 810 (Revised), Engagements to report on Summary Financial Statements* is the standard that deals with reporting on summary financial statements derived from audited financial statements. This report contains the findings of this review.

2.0 BACKGROUND

In Uganda, several sectors/ regulatory bodies require their respective regulatory entities to publish financial statements in a newspaper of wide circulation periodically. For instance:

- The Financial Institution (External Auditor) Regulations 2010 requires financial institutions within four months after the end of their financial year to publish their audited 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 regulations¹.
- The National Payments Systems Act 2020 requires electronic money issuers² to publish their audited financial statements³.
- The Uganda Securities Exchange Listing Rules 2003 (as amended in 2021) requires every issuer⁴, within four months after the end of each financial year to publish the annual financial statements for the relevant year, which financial statements shall have been reported upon by the issuer's auditors⁵.
- The Insurance Act 2017 requires the Insurance Regulatory Authority to publish its audited financial statements at least annually in a Uganda newspaper with wide circulation. Additionally, S.105 (2) requires an insurer or HMO⁶ to publish in a local newspaper of wide circulation within four months after the end of its financial year the following:
 - a) a copy of the auditor's report;

¹ R.12 (1) of the Financial Institutions (External Auditors) Regulations 2010

² According to the National Payment Systems Act 2020, electronic money issuer means a payment service provider who is licensed to issue electronic money under S.47 of the Act.

³ S. 53 (d) of the National Payments Systems Act 2020

⁴ According to the USE Listing Rules 2021, an Issuer is a government, body corporate incorporated in or established under the laws of Uganda or other legal entity whose securities are either listed on the Uganda Securities Exchange or are subject of an application for listing.

⁵ S.45 of the Uganda Securities Exchange Listing Rules 2003 (as amended in 2021)

⁶ A Health Membership Organisation (HMO) is an organization engaged in the business of undertaking liability in respect of funding health care, by way of membership.

- b) a statement of financial position clearly indicating the names and signatories of the directors;
 - c) a statement of comprehensive income;
 - d) the companies' statement of comprehensive income and financial position before consolidating its performance with other sister companies;
 - e) solvency ratios, claims ratios and management expense ratios for the current and previous year⁷.
- The Uganda Retirement Benefits Regulatory Authority Act 2011 requires retirement benefits schemes whose membership is open to the public to publish their annual financial statements in the mass media of wide circulation within four months after the end of each financial year⁸.

It is important to note that the legal regime referenced above requires the publication of financial statements. According to IAS 1 Presentation of Financial Statements, the objective of financial statements is to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making economic decisions. The standard prescribes a complete set of financial statements to comprise:

- A statement of financial position as at the end of the period;
- A statement of profit or loss and other comprehensive income for the period;
- A statement of changes in equity for the period;
- A statement of cashflows for the period; and
- Notes, comprising material accounting policy information and other explanatory information;

Some of the analyzed legal provisions above also require that the financial statements be accompanied by the auditor's report. By implication, it would thus be hard and costly for any institution to publish a full set of financial statements. The requirement to publish the financial statements along with an auditor's report under ISA 705 and ISA 706 could only be done alongside the entire set of financial statements.

Therefore, any meaningful publication of financial statements should be done in a summary manner and the same should be accompanied by an auditor's report prepared as per the requirements of ISA 810 (Revised), Engagements to report on summary financial statements.

⁷ S.32 of the Insurance Act 2017

⁸ S.65 (2) of the Uganda Retirement Benefits Regulatory Authority Act 2011

This review seeks to highlight the extent of compliance with the auditor's report requirements under ISA 810 vis viz the regulatory requirements for publication of financial statements. The review strictly analyses published summary financial statements alongside the auditor's reports accompanying such statements and the legal framework that provides for such publication. The review is intended to analyze these publications sector by sector and make recommendations for a unified approach to such publications if investor/ wider stakeholder confidence is to be achieved in such publications.

ISA 810 (Revised) deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs. The standard sets out the requirements for acceptance of and audit procedures on summary financial statements engagements as well as preparation of summary financial statements. Detailed information on the requirements of this standard is well explained in the ICPAU Guidelines on ISA 810 (Revised) 2021.

2.1 Summary Financial Statements and Conformity to KAMs (KAMs) Disclosures

Para 12 of the Basis for Conclusion on ISA 810 (Revised) is to the effect that in proposing changes to the ISAs relevant to auditor reporting on general purpose financial statements, the IAASB recognized the public interest benefits of greater transparency about the audit (in particular, through the communication of key audit matters and disclosure of the name of the engagement partner for audits of financial statements of listed entities as well as increasing investor attention on matters related to going concern and other information.

In Para 13, the IAASB considered how best to leverage this additional transparency provided in the auditor's report on the complete set of general-purpose financial statements in circumstances where the auditor is also engaged to report on summary financial statements, in light of the nature and objectives of the ISA 810 (Revised) engagement. The IAASB sought to find to an appropriate balance between drawing attention to relevant information in the auditor's report on the audited financial statements and managing the potential for the ISA 810 (Revised) report to inadvertently give the impression that the engagement had a broader objective than it actually did (i.e. beyond being an engagement to report on the consistency of the summary financial statements with the audited financial statements on the basis of the applied criteria.

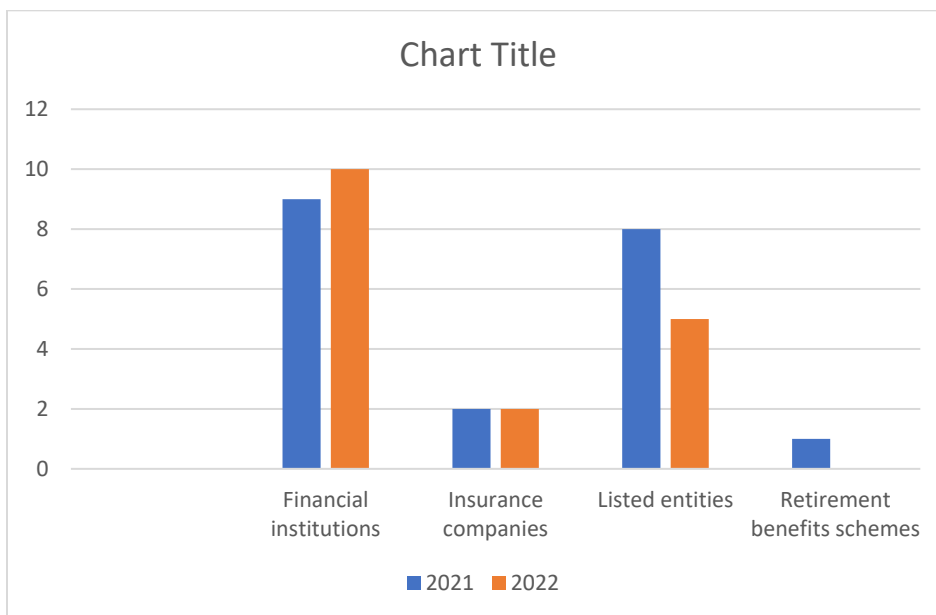
The requirement for the engagement partner to sign in their name should therefore be construed to apply to reports under ISA 700 (Revised) and ISA 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report and ISA 706 (Revised),

Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report. The Practice Statement (in its current form) does not require similar application for a report on summary financial statements issued under ISA 810 (Revised).

3.0 METHODOLOGY

The ISA 810 (Revised) Compliance review was conducted through the review of published summary financial statements as follows:

Sector/ Industry	2021	2022
Financial institutions	9	10
Insurance companies	2	2
Listed entities	8	5
Retirement benefits schemes	1	-
Total	20	17



The review aimed at ascertaining whether the requirements of ISA 810 (Revised) were clear to all practitioners and preparers and whether the standard is consistently applied

in the summary financial statements reviewed. The critical issues for review were whether the summary financial statements;

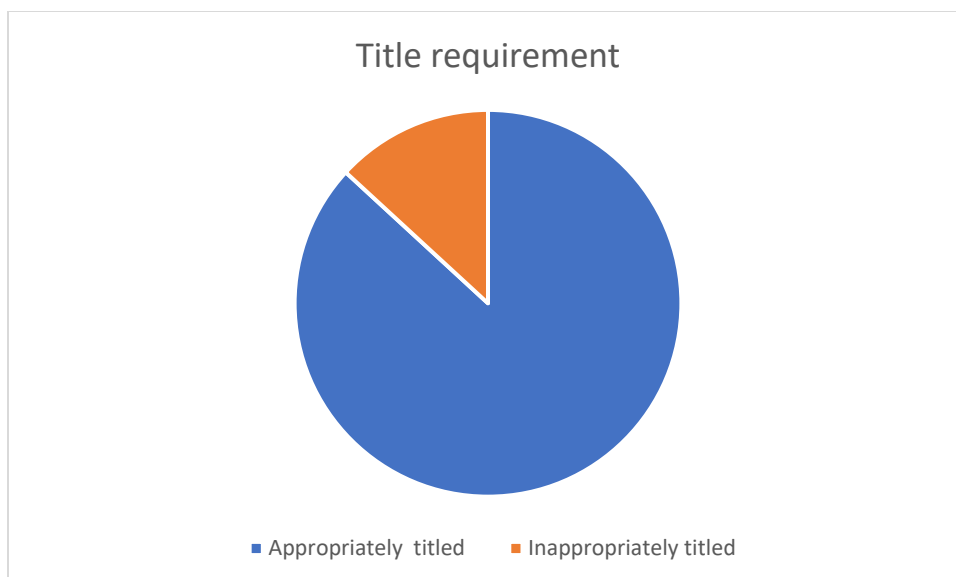
- (i) Adequately disclose their summarized nature and identify the audited financial statements.
- (ii) Adequately disclose the applied criteria.
- (iii) Are prepared in accordance with the applied criteria.
- (iv) Contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- (v) Provided a link to the annual financial statements.
- (vi) Are available to the intended users of the summary financial statements without undue difficulty.

4.0 REVIEW FINDINGS

4.1 Title

ISA 810 (Revised) requires that summary financial statements have a title indicating that it is the report of an independent auditor. Such a title distinguishes the report of the independent auditor from reports issued by others as it affirms that the auditor has met all of the relevant ethical requirements regarding independence.

The review indicated a high level of compliance with this requirement as only 4 out of the 37 reviewed publications were not appropriately titled as per the requirements of ISA 810 (Revised). The title of the five problematic publications did not adequately disclose the summarised nature of the summary financial statements and they also lacked a report of an independent auditor on the published financial statements.



4.2 Addressee

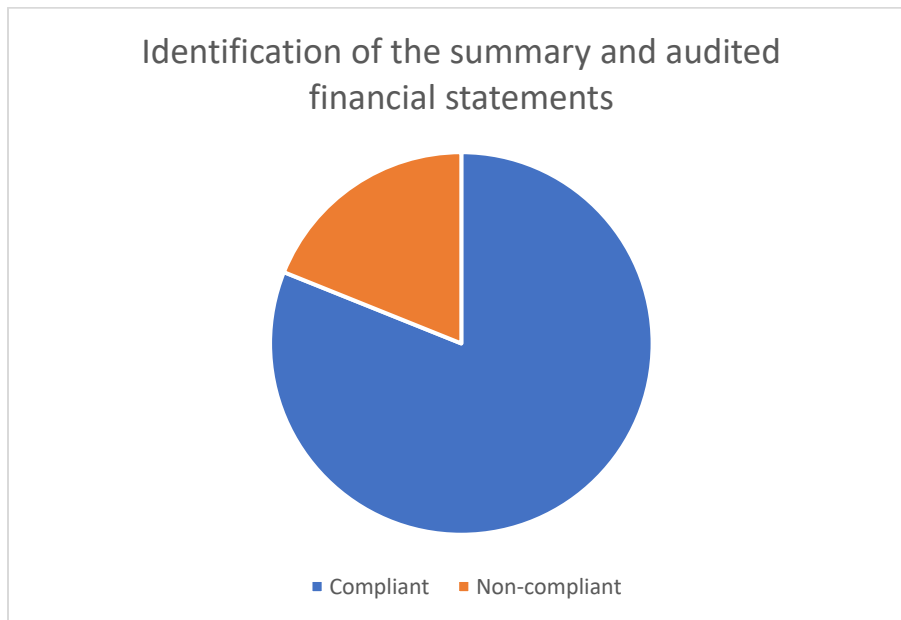
Published summary financial statements should have an addressee of the summary financial statements. Except in exceptional cases, the addressee of the summary financial statements is the same as the addressee of the auditor's report on the audited financial statements. We noted a high degree of compliance with this requirement as only 9 out of the 37 publications that were reviewed were not appropriately addressed which made it difficult to identify the intended recipients of the published summary financial statements.

4.3 Identification of the summary and audited financial statements

The standard requires that there's identification of the:

- a) Summary financial statements on which the auditor is reporting, include the title of each of the summary financial statements. This is aimed at helping readers identify the summary financial statements to which the auditor's report relates.
- b) Audited financial statements from which the summary financial statements were obtained

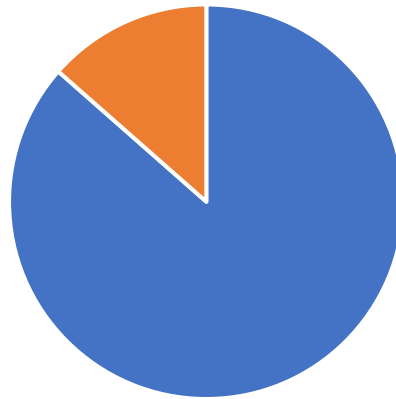
The review indicated a high degree of compliance with this requirement as almost all the reviewed publications except for seven publications which neither indicated the summarised nature of the summary financial statements nor disclosed the identity of the audited financial statements. Such publications tended to refer to the published information as 'extracts of the financial statements.'



4.4 A clear expression of an opinion on the summary financial statements

Summary financial statements should have a clear expression of opinion in compliance with the requirements in para 9-11 of ISA 810 (Revised). The review findings indicated a generally high degree of compliance with the requirement for the inclusion of a clear expression of opinion on the summary financial statements. However, it was also noted that about 5 out of the 37 reviewed published summary financial statements did not comply with this as these publications just contained extracts of the financial statements of the respective entities.

Compliance with the requirement for an opinion on the summary financial statements

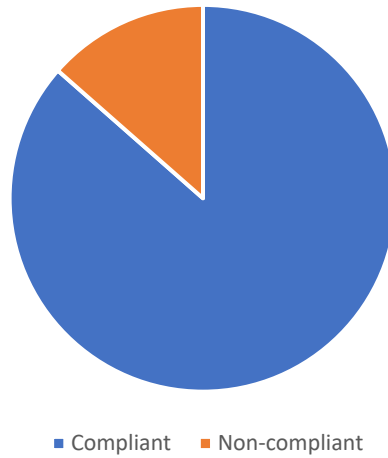


■ Compliant ■ Non-compliant

4.5 Disclaimer

ISA 810 (Revised) requires summary financial statements to have 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. The review showed a high degree of compliance with this requirement, especially institutions that included a report of an independent auditor on the published summary financial statements.

Compliance with the Disclaimer requirement

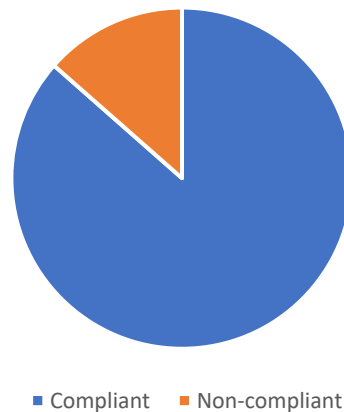


4.6 Reference to the auditor's report on the audited financial statements

Summary financial statements derive information from audited financial statements. ISA 810 (Revised) requires the inclusion of a statement in the auditor's report on the summary financial statements that refers to the auditor's report on the audited financial statements.

Except for 5 of the 37 published summary financial statements, the reviewed published summary financial statements were generally compliant with this requirement.

Reference to the auditor's report on the audited financial statements



4.7 A description of management's responsibility for the summary financial statements

ISA 810 (Revised) requires published summary financial statements to contain a description of the management's responsibility for the summary financial statements, explaining that management is responsible for the preparation of the summary financial statements as per the applied criteria.

The review indicated that five out of the 37 reviewed published financial statements were not compliant with this requirement. These publications actually lacked an auditor's report on the published financial statements.



4.8 A statement of the auditor's responsibilities

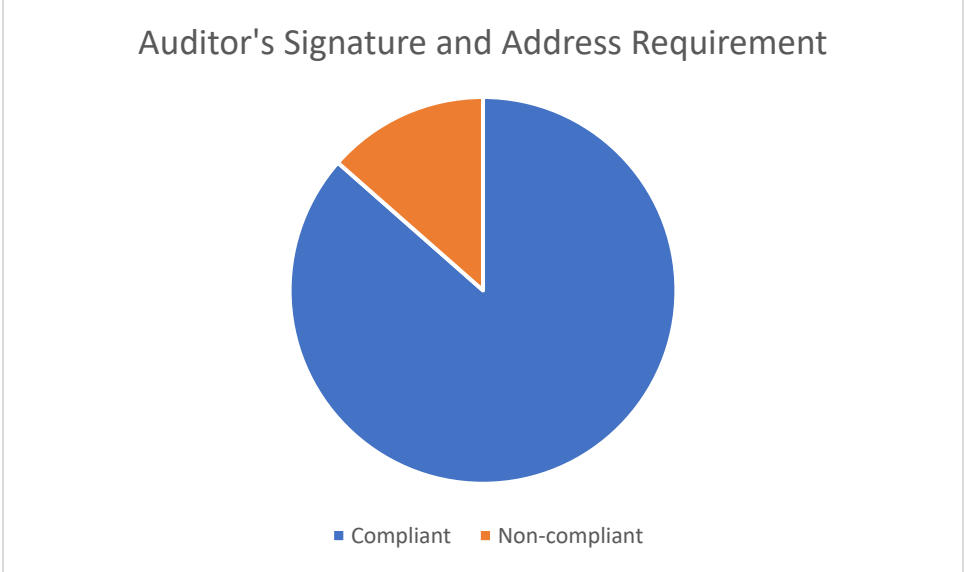
Summary financial statements should have a statement indicating that the auditor is responsible for expressing an opinion, based on the auditor's procedures conducted per ISA 810 (Revised), on whether the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial statements.

The review indicated a high degree of compliance with the requirements for inclusion of a statement of the auditor's responsibilities in almost all the reviewed published summary financial statements except for five of the reviewed publications which lacked a statement on the auditor's responsibilities on preparation of the summary financial statements.



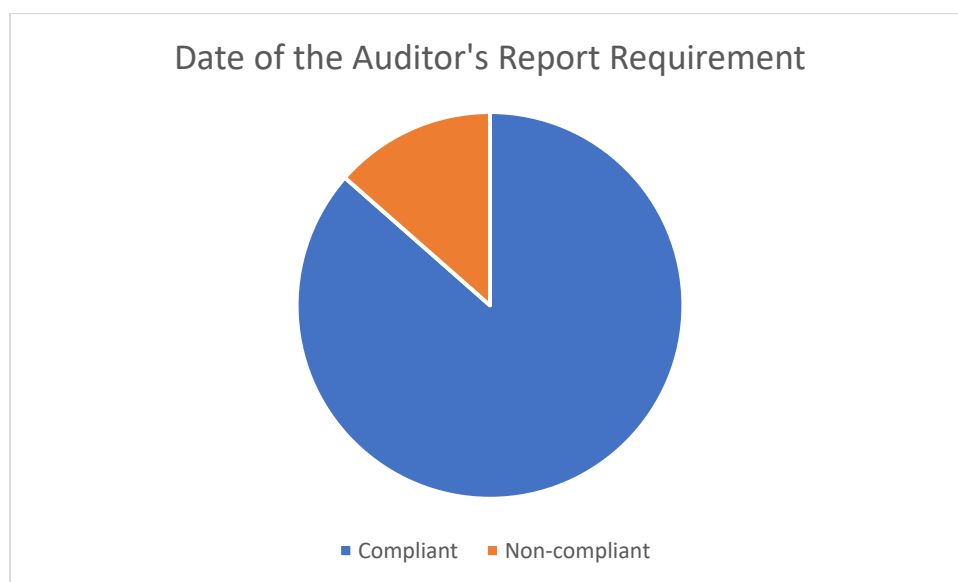
4.9 The auditor’s signature and address

ISA 810 (Revised) requires published summary financial statements to contain an auditor’s report signature and address. We noted that five out of the 37 publications that were reviewed lacked an auditor’s report on the summary financial statements and as such lacked an auditor’s signature and address. The 32 publications that were compliant with the recommended format in ISA 810 (Revised) complied with the requirement to have the auditor’s signature and address on the auditor’s report on the summary financial statements.



4.10 The date of the auditor's report

According to ISA 810 (Revised) requirements, the auditor's report on the summary financial statements shall not be dated earlier than the date of the auditor's report on the audited financial statements. We observed that except for the 5 non-compliant publications, most of the sampled publications of summary financial statements were compliant with this requirement.



5.0 ANALYSIS OF LEGAL AND REGULATORY REQUIREMENTS ON THE LEVEL OF COMPLIANCE WITH ISA 810 (REVISED)

Summary financial statements in Uganda generally are published according to sector-specific laws and regulations in the country. Therefore, most of the summary financial statements tend to be published according to the format prescribed in the relevant laws and regulations. For example, the Financial Institutions (External Regulators) Regulations prescribe the format financial institutions should follow in publishing summary financial statements. As a consequence of this, the summary financial statements of most financial institutions were compliant with this format and to a large extent, the requirements of ISA 810 (Revised).

However, some of the laws or regulations in Uganda that require the publication of audited financial statements along with the auditor's report do not prescribe how the summary financial statements should be disclosed. This leads to inconsistency in the publication of summary financial statements. This was observed especially for published summary financial statements of listed entities and some insurance companies. These entities tend to publish extracts of their audited financial statements and not summary

financial statements. Such publications also tended to lack an auditor's report on the published summary financial statements as required by ISA 810 (Revised).

6.0 CONCLUSION

As indicated in the ICPAU guidance, ISA 810 (Revised) requires auditors to check the disclosure requirements expected by sections 4.1.1 - 4.1.3. However, there is insufficient guidance available and applicable in Uganda requiring reporting entities to disclose the minimum aspects envisaged in ISA 810.

Even where there are regulations that mandate publication of audited financial statements, the disclosure requirements expected under ISA 810 are generally not stated and in such cases, reporting entities consider that they are not allowed to publish more than what is stipulated in the regulations.

Providing guidance requiring reporting entities to make minimum disclosures envisaged in ISA 810 (Revised) should help address the gaps. In circumstances where the criteria have been prescribed in some regulations as discussed above, there is need to engage the regulatory entities to ensure that the disclosure requirements in the regulations mandating publication of summary financial statements in Uganda are harmonized with the requirements of ISA 810 (Revised).

Summary published financial statements are an aspect of financial reporting and are therefore within the mandate of ICPAU to define the criteria to be applied or at least approve the criteria determined by other regulators. This ensures that financial reporting frameworks are consistently defined or approved by the body competent to consider all relevant aspects.

7.0 RECOMMENDATIONS

The following actions are recommended:

- (a) Engagement with different regulators to ensure consistency of the financial reporting regulations with the requirements of ISA 810 (Revised). All regulations should have reference to the requirements of ISA 810 (Revised) and have guidance on the extraction of financial statements for publication. The objective is for all laws and regulations to contain the criteria that

should be followed for the publication of audited summary financial statements or else consider referencing ICPAU-adopted standards.

- (b) Promotion of awareness about summary financial statements to auditors and accountants for them to understand their obligations. This may be achieved through training, CPDs, and sharing of sample/ model material.
- (c) Inclusion of compliance with ISA 810 (Revised) requirements during Quality Assurance Reviews.
- (d) Laws and regulations especially those that prescribe the preparation of summary financial statements should be harmonized with the requirements of ISA 810 (Revised), especially in regard to the structure of summary financial statements.
- (e) Auditors should continuously make reference to the guidance on ISA 810 (Revised) that was issued by ICPAU in 2021.

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