



New and Revised Auditor Reporting Standards

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New and Revised Auditor Reporting Standards

Overarching Standard for Auditor Reporting – ISA 700 (Revised)

**New Key
Audit Matters
section**
ISA 701

**Modifications to
auditor's
opinions**
ISA 705
(Revised)

**Enhanced
auditor
reporting
related to
going concern**
ISA 570
(Revised)

**New other
information
section**
ISA 720
(Revised)
Coming soon!

Revisions to **ISA 260 and 706** as a result of ISA 701, and
related conforming amendments to **ISA 210, 220, 230, 510,
540, 600, 710, 800, 805 and 810**

What are the Intended Benefits?

- Enhanced communication between auditors and investors, as well as those charged with corporate governance
- Increased user confidence in audit reports and financial statements
- Increased transparency, audit quality, and enhanced information value
- Increased attention by management and financial statement preparers to disclosures referencing the auditor's report
- Renewed auditor focus on matters to be reported that could result in an increase in professional scepticism
- Enhanced financial reporting in the public interest

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ISA 700 (Revised)
*Forming an Opinion
and Reporting on
Financial Statements;*

- Scope of the ISA – Sets new direction for auditor reporting
- New requirements for form and content of the auditor's report- all entities
- New requirements - listed entities:
 - **disclosure of KAM;**
 - **disclosure of the engagement partner**

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New ISA 701,
*Communicating Key
Audit Matters in the
Independent
Auditor's Report;*

- The auditor is required to determine **key audit matters** and, having formed an opinion on the financial statements, communicate those matters by describing them in the auditor's report.
- KAM are defined as those matters that, in the **auditor's professional judgment**, were of **most significance in** the audit of the financial statements of the current period
- KAM are **selected from matters communicated with those charged with governance**
- **Key Audit Matters Not a Substitute for Expressing a Modified Opinion**

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New ISA 701,
*Communicating Key
Audit Matters in the
Independent
Auditor's Report;*

- **In determining KAM, the auditor shall take into account the following:**
 - Areas of higher assessed risk of material misstatement or significant risks
 - Significant auditor judgments relating to areas in the financial statements that involved **significant management judgment**, including accounting estimates that have been identified as having **high estimation uncertainty**.
 - The effect on the audit of significant events or transactions that occurred during the period.

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New ISA 701,
*Communicating Key
Audit Matters in the
Independent
Auditor's Report;*

- The **description of each key audit matter** in the Key Audit Matters shall include a reference to the related disclosure(s) and shall address:
 - Why the matter was considered to be one of most significance in the audit and therefore determined to be a key audit matter; and
 - How the matter was addressed in the audit.
- The **auditor shall describe each key audit matter in the auditor's report** unless:
 - Law or regulation precludes public disclosure about the matter; or
 - Possibility of adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Modifications to auditor's opinions ISA 705 (Revised)

- Listed entities: matters that trigger modifications do not require KAM disclosure
- Modified reports may include KAM disclosures for other matters (except prohibited for disclaimers)

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ISA 706 (Revised), Emphasis of Matter Paragraphs and Other Matter Paragraphs

- In general, unqualified/qualified auditor's report may also include Emphasis of matter and other matters paragraphs
- For listed entities. No Emphasis of matter paragraph for matters disclosed as KAM

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Enhanced auditor reporting related to going concern
ISA 570 (Revised)

- New guidance to support the auditor's **evaluation of disclosures** when a material uncertainty exists.
- A new requirement for the auditor to evaluate the adequacy of disclosures in "**close call**" situations.
- Matters relating to going concern (GC), including "close calls", may be determined to be KAM and communicated in the auditor's report in accordance with new ISA 701

New required descriptions of management's and the auditor's responsibilities in relation to GC

All auditor's reports will include descriptions of the responsibilities of the auditor and management in relation to GC to provide an additional focus on GC.

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Enhanced auditor reporting related to going concern
ISA 570 (Revised)

New required separate section when a material uncertainty related to GC exists; The auditor's report is required to **highlight the existence of any materiality uncertainties** and will either include:

- If the disclosures are adequate, a separate section under the heading "Material Uncertainty Related to Going Concern" drawing attention to those disclosures; or
- If the disclosures are inadequate, a modified opinion as the first section of the auditor's report.

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Specialized areas)

- **ISA 800 (Revised) Special Considerations** – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks and
- **ISA 805 (Revised) Special Considerations** – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
- **ISA 810 (Revised)** Engagements to Report on Summary Financial Statements

The specialised areas standards have been revised to reflect the revised auditor reporting standards changes in; ISA 700, 701, 705, 706, 570 and 260

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Q&A





Thankyou



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