

## Chapter 8 - Audit Reports

### (8) Communicating Key Audit Matters in the Independent Auditor's Report (SA 701): (KAM)

#### (i) Meaning and Purpose of KAM:

- ✓ KAM are those matters that in the auditor's judgement were of most significance in the audit of f.s. of current period.
- ✓ KAM are selected from the matters communicated to TCWG.

#### Purposes of KAM:

- To enhance the communicative value of the auditor's report by providing greater transparency.
- To provide additional information to users of f.s. to assist them in understanding of those matters that in the auditor's professional judgement were of most significance in the audit of f.s. of current period.
- To assist the intended users in understanding the entity and areas of significant management judgement in audited f.s.

① MUR - Material Uncertainty

SA-570

relating to G.C.

App. disclosures given in f.s.

② Modification → Material Misstatement

SA-705

→ Unable to Obtain SAAE

③ EOM Para → f.s. disclosure - proper Significance

SA-706

④ OM Para → Audit, Auditor's Report,

SA-706

Auditor's responsibility

#### (ii) Nature of Communication of KAM: Communicating KAM in auditor's report is not a substitute for:

(Scope of SA 701)

- the disclosure in the f.s.; or
- a separate opinion on individual matters; or
- the modified opinion required under the circumstances of a specific audit engagement as per SA 705. (Modified opinion)
- Reporting in accordance with SA 570 when a material uncertainty exist

relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (MURG Para)

(e) EOM/OM Para required as per the requirements of SA 706.

(iii) Considerations for determining KAM: KAM are to be determined from matters communicated to TCG after considering the following:

- (a) Areas of higher assessed ROMM or significant risks identified in accordance with SA 315.
- (b) Significant judgements of auditor relating to statements that involved management judgements, for ex:
  - (a) Determination of Provisions;
  - (b) Selection of Accounting Policies;
  - (c) Determination of Allowance Estimation;
  - (d) " " " Fair Values
- (c) Effects of significant events and transactions occurred during the year.

<sup>Imp</sup>  
(iv) Manner of Reporting:

- Auditor shall describe each KAM, using an appropriate sub-heading, in a separate section of the auditor's report under the heading "Key Audit Matters".
- Before giving detailed description of KAM, introduction as to KAM is to be given as follows:

"KAM are those matters that in the auditor's professional judgement were of most significance in audit of F.S. of current period; and These matters were addressed in the context of audit of F.S. as a whole and auditor does not provide a separate opinion on these matters."

- Detailed description of each KAM in the KAM section of the auditor's report shall include a reference to the related disclosures, if any, in the F.S.

- Description shall address the following:

- (a) why the matter was considered to be of most significance in the audit of f.s. of current period and therefore, determined to be a KAM;
- (b) How the matter was addressed in the audit.

## (9) SA 710: Comparative Information - Corresponding figures and Comparative f.s.:

### (A) Meaning and Nature of Comparative Information:

Those amounts and disclosures included in the financial statements of an entity in respect of one or more prior periods in accordance with the applicable F.R.F.

Comparative information can be presented in two ways:

#### (a) Corresponding figures

Comparative information where amount and disclosures for prior period are included as an integral part of current period f.s.

and

intended to be read only in relation to amount and disclosures to current period.

#### (b) Comparative f.s.

Comparative information where amounts and disclosures for prior period are included for comparison with f.s. of current period

and

if audited, are referred to in the auditor's opinion.

Note: In case of corresponding figures, auditor's opinion on f.s. refers to current period only. However, in case of comparative f.s., auditor's opinion refers to each period covered by the comparative f.s.

## (B) Auditor's Objective as per SA 710:

(i) To obtain SAAE about whether the comparative information included in the f.s. has been presented, in all material respects, in accordance with the requirements of comparative information in the applicable FRF;

AND

(ii) To Report in accordance with the auditor's reporting responsibilities.

## Imp: (C) Audit Procedures for examination of comparative information:

(i) Auditor is required to determine whether f.s. include comparative information.

If yes, whether such information is appropriately classified. For this purpose, auditor is required to evaluate the following:

(a) whether the comparative information agree with the amount and disclosures presented in prior period f.s.

(b) whether the accounting policies are consistently applied and if there is any change in accounting policies, ascertain whether such changes have been appropriately presented & disclosed.

(ii) In case of any doubt as to existence of material misstatement in comparative information, auditor need to perform additional procedures.

Note: In case f.s. of prior period were audited by same auditor, procedures as prescribed in SA 560 shall apply.

(iii) Obtain a WR from the mgmt. to re-affirm that WR they previously made w.r.t. prior period f.s. remains appropriate.

Prior	BLS - 31.03.23 - Current	31.3.23	31.03.22
		PRIOR WR	Modified
Current	BLS - 31.03.24	31.03.24	31.03.23
			Comparative WR

# Audit Reporting w.r.t. Corresponding figures:

(I) When corresponding figures are presented, auditor's opinion shall not refer to corresponding figures, except in following circumstances:

(a) A.R. in prior period includes modified opinion and matter which give rise to modification is unresolved;

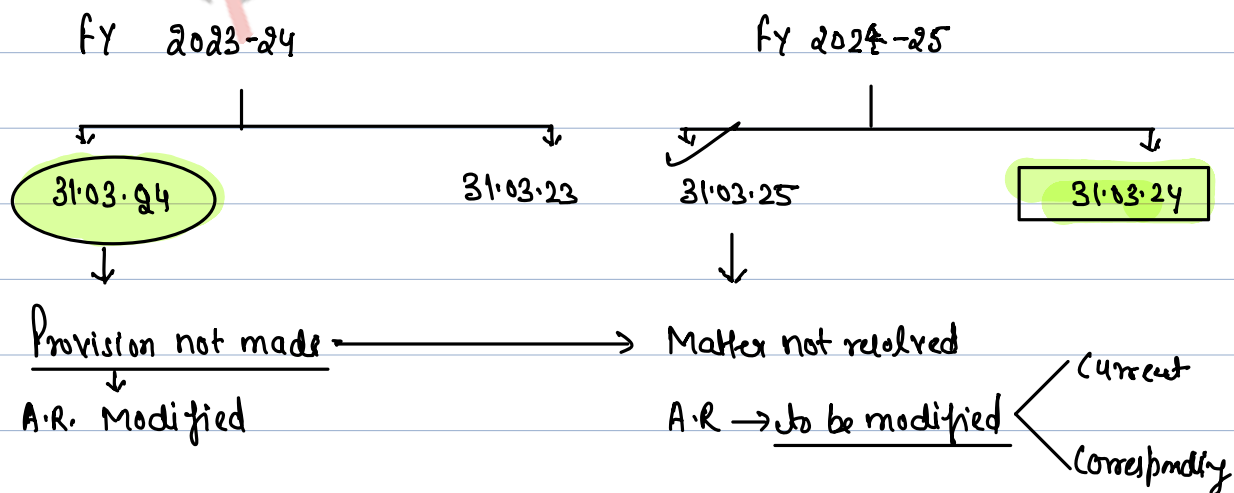
Auditor shall modify his opinion on the current period f.s. In the "Basis for Modified Opinion" Para, auditor shall:

(i) Refer to both current period figures and corresponding figures in the description of the matter giving rise to modification (if possible effects of the matter on current period is material); or

(ii) In other cases, explain that the audit opinion has been modified because of possible effects of unresolved matter on the comparability of current period figures and corresponding figures.

Ex: Provision for bad debt not made w.r.t. a specific trade debtor; amt. not yet realised

Ex:



(b) If auditor obtains audit evidence that a material misstatement exist in prior period f.s. on which unmodified opinion was issued:

FY 23-24 → FY 24-25  
↓  
unmodified opinion (Misstatement identified for FY 23-24)

↓

Auditor shall express a Qualified opinion or adverse opinion in the auditor's report on current period f.s.

II. If prior period f.s. not audited: Auditor shall include an "Other Matter Para" in the auditor's report stating that prior period f.s. were unaudited.

III. If prior period f.s. audited by another auditor:

Auditor's report shall include "Other Matter Para" stating that:

- (a) f.s. of prior period were audited by another auditor.
- (b) Type of opinion expressed by another auditor
- (c) Date of that report.

