



Enhancing the auditor's report

Improving informational value and transparency

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IN THE HEADLINES

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“Introducing descriptions of key audit matters is a significant change in auditor reporting. They provide the means for the auditor to address user demand for more information on the audit.”

– Larry Bradley
KPMG’s global head of audit

Enhancing the value of audit

For some time, there have been calls from users for the auditor’s report to provide more than a pass/fail opinion. In response to these calls, on 15 January 2015 the International Auditing and Assurance Standards Board (IAASB) issued new requirements on auditor reporting.

Without changing the scope of an independent audit, these requirements open the door for the auditor to give users more insight into the audit and improve transparency. By clarifying what the independent audit really is, the new auditor’s report will help enhance the nature of communications with stakeholders and enable users to recognise the value of audit.

Introducing key audit matters

Key audit matters are those matters that in the auditor’s judgement were of most significance in the audit – i.e. the areas that the auditor worried about and focused on the most during the audit.

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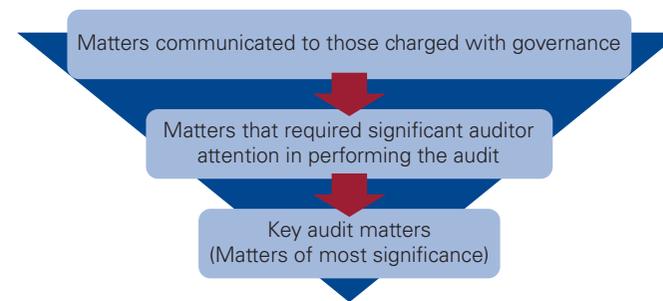
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Key audit matters are identified as follows.



The description of a key audit matter will be tailored to the company and will:

- explain why the matter was considered to be of most significance in the audit;
- describe how the matter was addressed in the audit; and
- provide a reference to any related financial statement disclosures.

Changes in the auditor’s report

Changes for all companies

- Report reordered – opinion required to go first
- Revised descriptions of management and auditor responsibilities
- Description of work performed on other information such as the annual report

Further changes for listed companies

- Description of key audit matters
- Disclosure of the engagement partner’s name
- Disclosure of other information not received before report date and of related auditor responsibilities

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Learning from the UK’s experience

Expanded auditors’ reports were introduced in 2013 to the UK, where positive feedback indicates that users value the insights provided. For more information, go to the UK firm’s [Restoring trust](#) web page.

Why the changes matter to those charged with governance

The new requirements do not directly impose any requirements on those charged with governance. However, there will be increased interaction with the auditor regarding potential key audit matters.

There may also be the need to consider additional information for disclosure so that original information about the company is not included in the auditor’s report.

Effective date

The new requirements apply for audits of financial statements for periods ending on or after 15 December 2016. Early application is permitted.

Companies should start talking to their auditors now ...

Find out more

For more information, go to the [IAASB press release](#) or speak to your usual KPMG contact.

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