

**DT-701 Recommendations Following the IAASB’s February 12 Discussions**

<p><b>Original Objective Included in paragraph 13 of Agenda Item 2-A</b></p> <p>The objective of the auditor, having formed an opinion on the financial statements, is to identify and communicate in the auditor’s report key matters of audit significance to enhance users’ understanding about the audit that was performed.</p>	<p><b>Revised Objective</b></p> <p>The objective of the auditor, having formed an opinion on the financial statements, is to communicate in the auditor’s report those matters that, in the auditor’s professional judgment, were of most significance in the performance of the audit of the financial statements.</p> <p><i>[The concept of enhancing users’ understanding about the audit that was performed, which will indirectly benefit users’ understanding about the entity, will be addressed in the Scope section of new ISA 701.]</i></p>
<p><b>Proposed Caption in the Auditor’s Report including in paragraph 17 of Agenda Item 2-A</b></p> <p>Key Matters of Audit Significance</p>	<p><b>Revised Caption in the Auditor’s Report</b></p> <p>Key Matters in the Performance of Our Audit</p>
<p><b>Extract from paragraph 31 of Agenda Item 2-A Identifying Key Matters of Audit Significance</b></p> <p>1. Using professional judgment, the auditor shall identify key matters of audit significance to be communicated in the auditor’s report. Factors that shall be taken into account include:</p> <ul style="list-style-type: none"> <li>• The nature and extent of discussions about the matter with management, those charged with governance or the engagement quality control reviewer.</li> <li>• The effect on the overall audit strategy and the auditor’s ability to obtain sufficient appropriate audit evidence, including: <ul style="list-style-type: none"> <li>○ Implications for the auditor’s initial risk assessment, in particular in relation to matters</li> </ul> </li> </ul>	<p><b>Updated Proposed Requirement in ISA 701 Determining the Key Matters in the Performance of the Audit</b></p> <p>1. ISA 700 (Revised) requires auditors of listed entities to include additional communication in the auditor’s report. In determining which matters to communicate in the auditor’s report, the auditor shall use professional judgment, taking into account, at a minimum, the nature and extent of discussions about the matter with those charged with governance, including:</p> <ul style="list-style-type: none"> <li>• Whether the matter was identified as a significant risk.</li> <li>• The degree of difficulty in obtaining sufficient appropriate audit evidence about the matter.</li> <li>• The difficulty of the judgment involved, including the extent to which the matter</li> </ul>

<p>identified as significant risks.</p> <ul style="list-style-type: none"><li>○ Whether the auditor's initial risk assessment and planned response needed to be modified in light of the audit evidence obtained.</li><li>○ Difficulties in obtaining sufficient appropriate audit evidence.</li><li>● The level of audit effort and allocation of resources related to the matter.</li><li>● The difficulty of the judgments involved, including the extent to which the matter involved consultation with others within or outside of the firm.</li><li>● The involvement of experts, whether auditors' or managements' experts.</li><li>● The involvement of internal auditors.</li><li>● Whether the auditor considered the matter to be difficult or contentious.</li><li>● Whether misstatements, either corrected or uncorrected, were identified.</li><li>● Whether disclosure in the auditor's report about the matter would enhance users' understanding of the audit that had been performed.</li></ul>	<p>involved consultation with others.</p> <ul style="list-style-type: none"><li>● Whether the auditor identified a significant deficiency in internal control relating to the matter.</li></ul> <p><i>[Application material explaining other areas previously considered as possible factors in the auditor's decision-making process to be developed, in particular about the effect on the overall audit strategy and the level of audit effort]</i></p>
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