## Selected Text from Updated Agenda Item 2-C – Marked from the Version Discussed September 18, 2014

*Circumstances in Which a Matter Determined to Be a Key Audit Matter Is Not Communicated in the Auditor's Report*

14. The auditor shall describe each key audit matter in the auditor's report unless: (Ref: Para. A53–A56)

    (a) Law or regulation precludes public disclosure about the matter; or (Ref: Para. A52)

    (b) In extremely rare circumstances, the auditor determines that the~~a~~ matter~~, for which information has not been publicly disclosed by the entity,~~ should not be communicated in the auditor's report because the adverse consequences of doing so~~communication~~ would reasonably be expected to outweigh the public interest benefits of such communication~~doing so~~. This shall not apply if the entity has publicly disclosed information about the matter.

*No changes to para. A52–A53*

A54. The determination not to communicate a key audit matter takes into account the facts and circumstances related to the matter. Communication with management and those charged with governance helps the auditor understand management's views about the significance of the adverse consequences that may arise as a result of communicating about a matter. In particular, communication with management and those charged with governance helps to inform the auditor's judgment in determining whether to communicate the matter by:

- Assisting the auditor in understanding why the matter has not been publicly disclosed by the entity (e.g.~~For example~~, if law, regulation or certain financial reporting frameworks ~~may establish thresholds at which an entity may be permitted~~ permit ~~to~~ delayed disclosure or non-disclosure~~not disclose~~ of the matter) and management's views as to the adverse consequences, if any, of disclosure. Management may draw attention to certain aspects in law or regulation that may be relevant to the consideration of adverse consequences (e.g., which may include harm to the entity's commercial negotiations or competitive position). However, management's views alone do not alleviate the need for the auditor to determine whether the adverse consequences would reasonably be expected to outweigh the public interest benefits of communication in accordance with paragraph 14(b).

- Highlighting whether there have been any communications with applicable regulatory, enforcement or supervisory authorities in relation to the matter, in particular whether such discussions would appear to support management's assertion as to why public disclosure about the matter is not appropriate.

- Enabling the auditor, where appropriate, to encourage management and those charged with governance to make public disclosure of relevant information about the matter. In particular, this may be possible if the concerns of management and those charged with governance about communicating are limited to specific aspects relating to the matter, such that certain information about the matter may be less sensitive and could be communicated.

The auditor also may consider it necessary ~~wish~~ to obtain a written representation from management as to why public disclosure about the matter is not appropriate, including management's view about the significance of the adverse consequences that may arise as a result of such communication.

*No changes to para. A55–A56*