

LUXEMBOURG SUPPLEMENT TO INTERNATIONAL STANDARD ON AUDITING 260 (REVISED) COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Definitions

10. For purposes of the ISAs, the following terms have the meanings attributed below: [...]
- (c) Listed entity - is as defined in the Luxembourg supplement to the IESBA Code, entities governed by Luxembourg law whose securities are admitted to trading on a recognized market

Requirements

Those Charged with Governance

11R-1. For statutory audits of financial statements of public-interest entities, if an entity which does not fall under the exemption criteria set in article 52 paragraph 5) of the law dated 23 July 2016 on the audit profession does not have an audit committee, the additional report to the audit committee required by paragraph 16R-1 shall be submitted to the body performing equivalent functions within the entity. [AR/Article 11(1)]

Matters to Be Communicated

Significant Findings from the Audit

16R-1. For statutory audits of financial statements of public-interest entities, the auditor shall submit an additional report to the audit committee of the entity explaining the results of the audit carried out and shall at least:

- (a) Include the declaration of independence required by paragraph 17R-1(a);
- (b) Identify each key audit partner(s)¹ involved in the audit;
- (c) Where the auditor has made arrangements for any of the auditor's activities to be conducted by another firm² that is not a member of the same network, or has used the work of external experts, the report shall indicate that fact and shall confirm that the auditor received a confirmation from the other firm and/or the external expert regarding their independence;

¹ "Key audit partner" is defined in paragraph 7D-1(d) of the Luxembourg supplement to ISA 220.

² "Firm" is defined in ISA 220 as a sole practitioner, partnership or corporation or other entity of professional accountants.

- (d) Describe the nature, frequency and extent of communication with the audit committee or the body performing equivalent functions within the entity, the management body and the administrative or supervisory body of the audited entity, including the dates of meetings with those bodies;
- (e) Include a description of the scope and timing of the audit;
- (f) Where more than one auditor has been appointed, describe the distribution of tasks among the auditors;
- (g) Describe the methodology used, including which categories of the balance sheet have been directly verified and which categories have been verified based on system and compliance testing, including an explanation of any substantial variation in the weighting of system and compliance testing when compared to the previous year, even if the previous year's audit was carried out by another firm;
- (h) Disclose the quantitative level of materiality applied to perform the audit for the financial statements as a whole and where applicable the materiality level or levels for particular classes of transactions, account balances or disclosures, and disclose the qualitative factors which were considered when setting the level of materiality;
- (i) Report and explain judgements about events or conditions identified in the course of the audit that may cast significant doubt on the entity's ability to continue as a going concern and whether they constitute a material uncertainty, and provide a summary of all guarantees, comfort letters, undertakings of public intervention and other support measures that have been taken into account when making a going concern assessment;
- (j) Report on any significant deficiencies in the entity's or, in the case of consolidated financial statements, the parent undertaking's internal financial control system, and/or in the accounting system. For each such significant deficiency, the additional report shall state whether or not the deficiency in question has been resolved by management;
- (k) Report any significant matters involving actual or suspected non-compliance with laws and regulations or articles of association which were identified in the course of the audit, in so far as they are considered to be relevant in order to enable the audit committee to fulfil its tasks;
- (l) Report the valuation methods applied to the various items in the annual or consolidated financial statements including any impact of changes of such methods;
- (m) In the case of an audit of consolidated financial statements, explain the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the financial reporting framework;
- (n) Where applicable, identify any audit work performed by in relation to an audit of consolidated financial statements other than by members of the same network to which the auditor of the consolidated financial statements belongs;
- (o) Indicate whether all requested explanations and documents were provided by the entity;
- (p) Report:
 - (i) Any significant difficulties encountered in the course of the audit
 - (ii) Any significant matters arising from the audit that were discussed or were the subject of correspondence with management; and
 - (iii) Any other matters arising from the audit that in the auditor's professional judgement, are significant to the oversight of the financial reporting process.

Where more than one auditor has been engaged simultaneously, and any disagreement has arisen between them on auditing procedures, accounting rules or any other issue regarding the conduct of the audit, the reasons for such disagreement shall be explained in the additional report to the audit committee. [AR/Article 11(1) (2) (3)]

Auditor Independence

- 17R-1. For statutory audits of financial statements of public-interest entities, the auditor shall:
- (a) Disclose to the audit committees when the total fees received from a public-interest entity in each of the last three consecutive financial years are more than 15% of the total fees received by the statutory auditor or the audit firm. [AR/Article 4(3)]
 - (b) Confirm annually in writing to the audit committee that the statutory auditor, the audit firm and partners, senior managers and managers, conducting the statutory audit are independent from the audited entity; and
 - (c) Discuss with the audit committee the threats to the auditor's independence and the safeguards applied to mitigate those threats. [AR/Article 6(2)]

The Communication Process

Forms of Communication

- 20R-1. For statutory audits of financial statements of public-interest entities:
- (a) The additional report to the audit committee³ shall be in writing. [AR/Article 11.2]
 - (b) The additional report to the audit committee shall be signed and dated by the engagement partner. [AR/Article 11.4]
 - (c) Upon request by either the statutory auditor or the audit committee, the statutory auditor shall discuss key matters arising from the audit, referred to in the additional report to the audit committee, and in particular deficiencies communicated in accordance with paragraph 16R-1(j). [AR/Article 11.2]
 - (d) Upon request, the statutory auditor shall make available without delay the additional report to the audit committee to the CSSF. [AR/Article 11.5]

Timing of communications

21R-1. For statutory audits of financial statements of public interest entities, the auditor shall submit the additional report to the audit committee not later than the date of submission of the auditor's report. [AR/Article 11(1)]

³ Paragraph 16R-1 deals with the auditor's responsibilities to prepare an additional report to the audit committee.



Commission de Surveillance
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Documentation

23D-1. For statutory audits of financial statements of public-interest entities, the auditor shall retain any other data and documents that are important in supporting the additional report to the audit committee⁴. [AL/Article 25(5)]

⁴ Paragraph 16R-1 deals with the auditor's responsibilities to prepare an additional report to the audit committee.