

# LUXEMBOURG SUPPLEMENT TO INTERNATIONAL STANDARD ON AUDITING 701 COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT AUDITOR'S REPORT

## Scope of this ISA

5. For the purposes of the Luxembourg, this ISA applies to audits of complete sets of general-purpose financial statements of public interest entities and circumstances when the auditor otherwise decides to communicate key audit matters in the auditor's report. This ISA also applies when the auditor is required by law or regulation to communicate key audit matters in the auditor's report.

## Definition

8. For the purposes of the Luxembourg supplement to ISAs, the following term has the meaning attributed below:

Key audit matters – Those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance. (Ref: Para. A.8-1.). For statutory audits of financial statements of public-interest entities, key audit matters include the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. [AR/Article 10.2(c)]

## Requirements

### Communicating Key Audit Matters

11 (a) Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements [of the current period] and include for statutory audit of financial statements of public-interest entities, the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor. [AR/Article 10.2(c)]

### *Description of Individual Key Audit Matters*

13R-1. For statutory audit of financial statements of public-interest entities, in describing each of the key audit matters in accordance with paragraph 13, the auditor's report shall provide, in support of the audit opinion:

- a) A description of the most significant assessed risks of material misstatement (whether or not due to fraud);
- b) A summary of the auditor's response to those risks; and
- c) Where relevant, key observations arising with respect to those risks.

Where relevant to the above information provided in the auditor's report concerning each significant assessed risk of material misstatement (whether or not due to fraud), the auditor's report shall include a clear reference to the relevant disclosures in the financial statements. [AR/Article 10.2(c)]

13R-2. In describing why the matter was determined to be a key audit matter in accordance with paragraph 13R-1, the description shall indicate that the matter was one of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor.

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

14R-1 For statutory audits of financial statements of public interest entities the auditor shall describe each key audit matter in the auditor's report unless law and regulation preclude public disclosures about the matter.

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## **Application and Other Explanatory Material**

### **Definitions**

#### *Key Audit Matters*

A8-1. In Luxembourg, those matters of the current period that were of most significance in the statutory audits of the financial statements of public-interest entities include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor. [AR/Article 10.2(c)]

### **Communicating Key Audit Matters**

*Communicating Key Audit Matters for Group and Parent Company Financial Statements (Ref: Para 13.)*

A33-1. An auditor's report for a group may include the auditor's report with respect to both the group and the parent company financial statements. This is typically the case where both sets of financial statements are presented in accordance with IFRSs as adopted in the EU. However, where the financial statements of the group and the parent company are presented in accordance with different financial reporting frameworks, the financial statements might be presented separately within the Annual Report and in such circumstances separate auditor's reports in respect of the group and the parent company financial statements might be provided within the Annual Report.

A33-2. Most of the key audit matters communicated in the audit of the parent company would likely also be key audit matters relating to risks of material misstatement in the audit of the group financial statements, subject to any differences in quantitative materiality considerations that may apply in those audits. However, there may be key audit matters that only arise in relation to the audit of the parent company financial statements (such as risks relating to investments in subsidiaries that could, for example, have implications for distributable reserves).

A33-3. An understanding of such key audit matters may be of interest to readers of auditor's reports. Readers may find such key audit matters to be of particular interest when their implications are relevant in the context of the parent company's reported distributable reserves. However, readers of the auditor's report(s) on the group and parent company financial statements will be assisted by avoiding unnecessary duplication or disaggregation of key audit matters arising from these audits in such report(s).

*Application where there is a single auditor's report*

A33-4. Where the auditor's reports on both the group and parent company financial statements are combined within a single report, it may be appropriate for any relevant key audit matters and other information required by ISA 701 that are unique to the parent company audit to be separately identified but integrated within the disclosures in that report of corresponding matters arising from the audit of the group financial statements.

*Application where the auditor reports separately on the group and parent company financial statements*

A33-5. Where the auditor provides separate auditor's reports on the group and parent company financial statements, it may also be appropriate for any relevant key audit matters and other information required by ISA 701 that are unique to the parent company audit to be separately identified but integrated within the disclosures within the group auditor's report of corresponding matters arising from the group audit. Except where such matters are required by law or regulation to be included in the auditor's report, the parent company auditor's report, the auditor could make reference in the other matter paragraph that refers to the separate auditor's report on the group financial statements to the fact that the key audit matters that relate to the parent company audit have been included in the group auditor's report, rather than repeating the information.