New format of the auditor's report

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New format of the audit report

- ✓ Auditor's opinion
- ✓ What the auditor's has audited – identification of financial statements
- ✓ Audit approach:
  - ➢ Audit scope
  - ➢ Key Audit Matters
  - ➢ How the audit addressed the Key Audit Matters
- ✓ Responsibilities for the financial statements and the audit:
  - ➢ Auditor's responsibility
  - ➢ Management and those charged with governance responsibility
- ✓ What an audit of financial statements involves

European Union Auditor Reporting Regulation

The EU regulation is applicable for all Public Interest Entities, being entities:

- Governed by Romania's law and traded on a regulated market;
- Insurance entities;
- Credit institutions; and
- Any other entities designated by the Romanian State.

Benefits of the changes

- ✓ Enhanced communication between auditors and investors, as well as those charged with corporate governance.

- ✓ Increased user confidence in audit reports and financial statements.

- ✓ Increased transparency, audit quality, and enhanced information value.

- ✓ Renewed auditor focus on matters to be reported that could result in an increase in professional scepticism.

- ✓ Enhanced financial reporting in the public interest.

Selecting Key Audit Matters

"Without doubt, the most significant innovation in the new auditor's reports is the introduction of 'key audit matters' (ISA 701) – it's the section of the new reports that shareholders have pointed to as being the most valuable."

What are Key Audit Matters (KAMs)?

KAMs are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements in the current period.

KAMs are selected from matters communicated with those charged with governance (TCWG)

Matters that required significant auditor attention

As an initial step in determining KAMs, ISA 701 requires the auditor to determine, from the **matters that were communicated with TCWG**, those matters that required **significant auditor attention** in performing the audit. In making this determination, the auditor is required to consider the following:

Areas of **higher assessed risks of material misstatement**, or significant risks identified in accordance with ISA 315 (Revised).

Significant auditor judgments relating to areas in the financial statements that involved **significant management judgment,** including accounting estimates that have been identified as having high estimation uncertainty.

The effect on the audit of significant events or transactions that **occurred during the year.**

Matters of most significance

Once the matters that required significant auditor attention have been determined, the auditor is required to determine which of those matters were of most significance in the audit of the financial statements of the current period and therefore are the KAMs.

Thank you!