



**TECHNICAL CIRCULAR 4/2017 (TC 4\_2017)**

**TO:** All the Members of the Institute

**FROM:** Auditing Standards Committee

**DATE:** 6 June 2017

**SUBJECT:** **Amendments to audit report illustrations following publication of Auditors Law 2017**

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Following the publication of the Auditors Law of 2017 in the Official Gazette of the Republic of Cyprus on 2 June 2017, this Technical Circular provides amended illustrations of the audit reports.

This Technical Circular provides illustrative audit reports based on the ISA 700 (Revised) illustrative for use by the Institute's members in conjunction with any guidance from their network firms, if applicable. Reference should be made to Technical Circular TC 1 2017, issued on 3 February 2017.

For auditor's reports issued in respect of accounting periods prior to 31 December 2016, Technical Circular TC3\_2016, issued 21 October 2016, should be followed together with the appropriate updates included in this Technical Circular regarding the reference to the Auditors Law of 2017 and the updates in the Report on Other Legal Requirements section, as per the illustrations below.

In accordance with the provisions of the Auditors Law of 2017 and the regulation (EU) no. 537/2014, additional modifications will apply to the auditors' reports for audits in respect of accounting periods beginning on or after 17 June 2016. A separate technical circular will be issued to deal with these provisions.

The following illustrations are included in this Technical Circular.

<b>Illustration A</b>	<b>Companies without subsidiaries (Unmodified opinion)</b>
<b>Illustration B</b>	<b>Companies with subsidiaries (Unmodified opinion)</b>

**Important note:**

The shaded sections in each Illustration are **mandatory only for listed companies.**



## **Illustration A: Unmodified opinion Companies without subsidiaries**

### **Independent Auditor's Report**

**To the Members of ABC Limited**

**Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of ABC Limited (the “Company”), which are presented in pages [...] to [...] and comprise *[the statement of financial position as at 31 December 20XX, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows]*<sup>1</sup> for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 20XX, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters** <sup>5, 6</sup>

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*[Description of each key audit matter in accordance with ISA 701].*



## **Other information <sup>7</sup>**

The Board of Directors is responsible for the other information. The other information comprises the {information included in the X report, but does not include the financial statements and our auditor’s report thereon.}

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Board of Directors for the Financial Statements**

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company’s financial reporting process.

## **Auditor’s Responsibilities for the Audit of the Financial Statements<sup>10</sup>**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit <sup>8</sup>. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to



provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.<sup>11</sup>



## Report on Other Legal Requirements <sup>2</sup>

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements. <sup>12</sup>
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report. <sup>12</sup>
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the financial statements. <sup>3</sup>
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. <sup>3</sup>
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. <sup>3</sup>

## Other Matter <sup>4</sup>

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is.....<sup>9</sup>



*Where the statutory auditor is a firm*

*[Signature of engagement partner]*

*[Name of engagement partner]*

Certified Public Accountant and Registered Auditor  
for and on behalf of

*[Name of audit firm]*

Certified Public Accountants and Registered Auditors

*[Address]*

*[Date]*

*Where the statutory auditor is a sole practitioner*

*[Signature of sole practitioner]*

*[Name of sole practitioner]*

Certified Public Accountant and Registered Auditor

*[Address]*

*[Date]*



## Notes:

1. The titles of financial statements that have been used in the above report are those used in the latest version of International Accounting Standard (IAS) 1 “Presentation of financial statements”. It should be noted, however, that paragraph 10 of IAS 1 allows entities to use titles other than those used in IAS 1.
2. In accordance with paragraph 42 of International Standard on Auditing (ISA) 700 “Forming an opinion and reporting on financial statements”, if the auditor addresses other reporting responsibilities in the auditor’s report on the financial statements, that are in addition to the auditor’s responsibility under the ISAs to report on the financial statements, these other responsibilities shall be addressed in a separate section sub-titled “Report on other legal and regulatory requirements” or otherwise as appropriate to the content of the section.
3. This illustration includes the reference required by subparagraph (d) of Paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113 in relation to the corporate governance statement that forms a special part of the Management report or a separate statement which is published together with the Management report or is included in a document that is published in the website of the entity whose securities have been admitted to trading in a regulated market.
4. The “Other matter” paragraph of the above report is based on paragraph 8 of ISA 706 “Emphasis of matter paragraphs and other matter paragraphs in the independent auditor’s report”, according to which if the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor’s judgement, is relevant to users’ understanding of the auditor’s responsibilities or the auditor’s report and this is not prohibited by law or regulation, the auditor shall do so in a paragraph in the auditor’s report, with the heading “Other matter”, or other appropriate heading, that shall be included immediately after the Opinion paragraph and any Emphasis of matter paragraph, or elsewhere in the auditor’s report if the content of the “Other matter” paragraph is relevant to the Other reporting responsibilities section. As the matter in question relates to the whole report it has been placed after the report on other legal requirements.
5. Per ISA 700.30-31, the auditor shall communicate key audit matters of a listed entity in the auditor’s report in accordance with ISA 701. For non-listed entities, there is no such requirement unless the auditor decides to communicate the key audit matters in the auditor’s report. Furthermore, per ISA 705.29, when the auditor’s disclaims an opinion on the financial statements, the auditor’s report shall not include a Key Audit Matters section in accordance with ISA 701.

### **Definition of Key Audit Matters**

As per ISA 701.08, key audit matters are those matters that, in the auditor’s professional judgment, were of most significance in the audit of financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance.

The auditor shall determine, from the matters communicated with those charged with governance, those matters that required significant auditor attention in performing the audit. In making this determination, the auditor shall take into account the following:

- a) Areas of higher assessed risk of material misstatement, or significant risks identified in accordance with ISA 315 (Revised).
  - b) 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.
  - c) The effect on the audit of significant events or transactions that occurred during the period.
6. A matter giving rise to a modified opinion in accordance with ISA 705 (Revised), or a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA 570 (Revised), are by their nature key audit matters. However, in such circumstances, these matters shall not be described in the Key Audit Matters section of the auditor’s report. Rather, the auditor shall report on these matters in accordance with the applicable ISAs and include a reference to the Basis for Qualified (Adverse) Opinion or the Material Uncertainty Related to Going Concern section(s).
  7. Per ISA 720.A3 and A4, Other Information may comprise of: management report, management commentary, or operating and financial review or similar reports by those charged with governance (for example, a directors’ report), chairman’s statement, corporate governance statement, internal control and risk assessment reports. Per ISA 720.12 (c), Other Information is defined as financial or non-financial information (other than financial statements and the auditor’s report thereon) included in an entity’s annual report, and therefore includes also the tax computation(s) (if presented as additional information in the annual report), detailed analysis of expenses or other items of the statement of comprehensive income and any other analyses/statements that are included in the annual report.
  8. Per ISA 700.40(b), as an alternative this material can be located in an Appendix to the auditor’s report.
  9. Per ISA 700.49 (k), the name of engagement partner is required to be disclosed for the audit of complete set of financial statements of listed entities.
  10. Per ISA 705.28, when the auditor disclaims an opinion on the financial statements, a more limited description of the auditor’s responsibility section is required.
  11. This paragraph should be included when the auditor has an obligation or decides to include key audit matters in the auditor’s report.
  12. References to the management report remain only when such a report is included in the financial statements (there are exemptions for preparing management report in accordance with article 151(1) of the Companies Law).



## **Illustration B: Unmodified opinion Companies submitting consolidated financial statements**

### **Independent Auditor's Report**

**To the Members of ABC Limited**

**Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of ABC Limited (the “Company”), and its subsidiaries (the “Group”), which are presented in pages [...] to [...] and comprise [*the consolidated statement of financial position as at 31 December 20XX, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows*]<sup>1</sup> for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 20XX, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters 5,6**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**[Description of each key audit matter in accordance with ISA 701].**



## **Other information<sup>7</sup>**

The Board of Directors is responsible for the other information. The other information comprises the {information included in the X report, but does not include the consolidated financial statements and our auditor’s report thereon.}

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Board of Directors for the Consolidated Financial Statements**

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group’s financial reporting process.

## **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements<sup>10</sup>**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit<sup>8</sup>. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.**



From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. <sup>11</sup>

## Report on Other Legal Requirements<sup>2</sup>

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements. <sup>12</sup>
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the management report. <sup>12</sup>
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements. <sup>3</sup>
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. <sup>3</sup>
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. <sup>3</sup>

## Other Matter<sup>4</sup>

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is.....<sup>9</sup>



*Where the statutory auditor is a firm*

*[Signature of engagement partner]*

*[Name of engagement partner]*

Certified Public Accountant and Registered Auditor  
for and on behalf of

*[Name of audit firm]*

Certified Public Accountants and Registered Auditors

*[Address]*

*[Date]*

*Where the statutory auditor is a sole practitioner*

*[Signature of sole practitioner]*

*[Name of sole practitioner]*

Certified Public Accountant and Registered Auditor

*[Address]*

*[Date]*



## Notes:

- 1 The titles of financial statements that have been used in the above report are those used in the latest version of International Accounting Standard (IAS) 1 “Presentation of financial statements”. It should be noted, however, that paragraph 10 of IAS 1 allows entities to use titles other than those used in IAS 1.
- 2 In accordance with paragraph 42 of International Standard on Auditing (ISA) 700 “Forming an opinion and reporting on financial statements”, if the auditor addresses other reporting responsibilities in the auditor’s report on the financial statements, that are in addition to the auditor’s responsibility under the ISAs to report on the financial statements, these other responsibilities shall be addressed in a separate section sub-titled “Report on other legal and regulatory requirements” or otherwise as appropriate to the content of the section.
- 3 This illustration includes the reference required by subparagraph (d) of Paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113 in relation to the corporate governance statement that forms a special part of the Management report or a separate statement which is published together with the Management report or is included in a document that is published in the website of the entity whose securities have been admitted to trading in a regulated market.
- 4 The “Other matter” paragraph of the above report is based on paragraph 8 of ISA 706 “Emphasis of matter paragraphs and other matter paragraphs in the independent auditor’s report”, according to which if the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor’s judgement, is relevant to users’ understanding of the auditor’s responsibilities or the auditor’s report and this is not prohibited by law or regulation, the auditor shall do so in a paragraph in the auditor’s report, with the heading “Other matter”, or other appropriate heading. As the matter in question relates to the whole report it has been placed after the report on other legal requirements.
- 5 Per ISA 700.30-31, the auditor is required to communicate key audit matters of a listed entity in the auditor’s report in accordance with ISA 701. For non-listed entities, there is no such requirement unless the auditor decides to communicate the key audit matters in auditor’s report. Per ISA 705.29, when the auditor’s disclaims an opinion on the financial statements, the auditor’s report shall not include a Key Audit Matters section in accordance with ISA 701. (see Illustrations 15&16)

### **Definition of Key Audit Matters**

As per ISA 701.08, key audit matters are those matters that, in the auditor’s professional judgment, were of most significance in the audit of financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance.

The auditor shall determine, from the matters communicated with those charged with governance, those matters that required significant auditor attention in performing the audit. In making this determination, the auditor shall take into account the following:

- a) Areas of higher assessed risk of material misstatement, or significant risks identified in accordance with ISA 315 (Revised).
  - b) 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.
  - c) The effect on the audit of significant events or transactions that occurred during the period.
- 6 A matter giving rise to a modified opinion in accordance with ISA 705 (Revised), or a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA 570 (Revised), are by their nature key audit matters. However, in such circumstances, these matters shall not be described in the Key Audit Matters section of the auditor’s report. Rather, the auditor shall report on these matters in accordance with the applicable ISAs and include a reference to the Basis for Qualified (Adverse) Opinion or the Material Uncertainty Related to Going Concern section(s).
  - 7 Per ISA 720.A3 and A4, Other Information may comprise of: management report, management commentary, or operating and financial review or similar reports by those charged with governance (for example, a directors’ report), chairman’s statement, corporate governance statement, internal control and risk assessment reports. Per ISA 720.12 (c), Other Information is defined as financial or non-financial information (other than financial statements and the auditor’s report thereon) included in an entity’s annual report, and therefore includes also the tax computation(s) (if presented as additional information in the annual report), detailed analysis of expenses or other items of the statement of comprehensive income and any other analyses/statements that are included in the annual report.
  - 8 Per ISA 700.40(b), as an alternative this material can be located in an Appendix to the auditor’s report.
  - 9 Per ISA 700.49 (k), the name of engagement partner is required to be disclosed for audit of complete set of financial statements of listed entities.
  - 10 Per ISA 705.28, when the auditor disclaims an opinion on the financial statements, a more limited description of the auditor’s responsibility section is required.
  - 11 This paragraph shall be included when the auditor has an obligation or decides to include key audit matters in the auditor’s report.
  - 12 References to the management report remain only when such a report is included in the financial statements (there are exemptions for preparing management report in accordance with article 151(1) of the Companies Law).