

SA 701

(listed
in SA 450)

Important matters
of audit
Auditor's
responsibilities
(AP) applied

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Communicating Key Audit Matters (KAM) in The Independent Auditor's Report

Introduction :-

- Auditor's responsibility to communicate KAM in his report.
- It is intended to address both.
- Auditor's judgment as what to communicate in his report
- form & content of such communication.

Meaning of KAM :-

- KAM are those matters that, in the auditor's professional judgement were of most significance in the audit of FS of the current period.
- KAM are selected from matters communicated with TCG (SA260).

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Purpose of Communicating KAM :-

- ① Communicating KAM enhances the communicative value of auditor's report by providing greater transparency about the audit that was performed.
- ② Communicating KAM provides additional info to the intended users, this will assist them in understanding those matters which were of most significance during the audit of FS.
- ③ Communicating KAM can also assist intended users in understanding the entity & the areas involving significant mgmt judgement in the FS! (eg - Pending Litigation, going concern)

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Liability audit - PwC KPMG
PANKAJ

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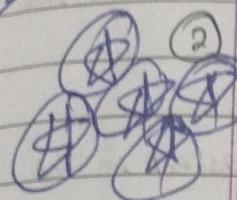
Determining KAM

①

Q Kya matter kam h 3000? ?

The auditor shall determine, from the matters communicated with TCG, those matters that required significant auditor attention in performing audit.

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While determining which matters to be included under KAM, auditor shall consider the following aspects:

RMM

③ Areas of higher assessed RMM, or areas where significant risk is involved or identified

significant auditor judgement

as per SA 315.

significant mgmt
judgement

areas in the FS that involved significant

management judgement, including

SA 540

accounting estimation that have been identified as having high estimation uncertainty.

significant events

④



⑤ The effect on the audit of significant events

(ie tx's that occurred during the period)

31 march 2021

(Note) 8

Subsequent events ie events after B/s date,

if they are material then they should be

included in the auditor's report under

EOM paragraph.

Objectives of auditor regarding KAM 8+

KAM

KM are those matters that, in our professional judgement, were of most significance in the context of our audit of FS as a whole, on these matters. We have determined the matters described below to be:

signific and En fo below to be

Communicating KAM

Drafting of KAM paragraph 3 to

R1P
R1M

The auditor shall describe each KAM, using an appropriate subheadings, in a separate section of the auditor's report under the heading "KAM".

The introductory language under KAM paragraph shall include following:

- (a) Definition of KAM
- (b) A statement that these matters were addressed in the context of audit of FS as a whole, and informing the auditor's opinion thereon (and) the auditor does not provide a separate opinion on these matters. ~~★ ★ ★ ★~~

Communicating KAM - notes

o & MCQs

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- ① Substitute for disclosures in FS that the AFRF requires mgmt to make, or that are otherwise necessary to achieve fair presentation.
- ② Substitute for the auditor expressing a modified opinion when required by circumstances of a specific audit engagement in accordance with (SA705)
- ③ Substitute for reporting in accordance with (SA705) when a material uncertainty exists relating to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern (SA705 Material uncertainty to going concern) this heading is important
- ④ a separate opinion on individual matters

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SA 210

SA 200

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signify cause in our audit of FS of the current Period. These matters and in forming our opinion thereon, we do not provide ^{PANKAJ} ~~a separate opinion~~
below to be the KAM to be communicated in our audit.

RTP
may
opposite
report

include

in the
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or not

PARA

mgmt
fair
valuation.

when
gement

then a
tions

ility
uncertainty

(B) (B)

Communication with TCEWCF →

communicate — matters determined to be KAM
No KAM

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Applicability of SA 701

covered in
para

① It is intended to address both the auditor's judgement as to what to communicate in the auditor's report and the form & content of such communication.

② This SA applies to audits of complete sets of general purpose FS of:

○ Listed Entities (F)

○ Circumstances when the auditor otherwise decides to communicate KAM in the auditor's report (F)

○ required by L or R to communicate KAM in the auditor's report

③ * However, SA 705 prohibits the auditor from communicating KAM when the auditor disclaims an opinion on the FS, unless

such reporting is required by L or R.