IMPLEMENTING THE READINESS OF KEY AUDIT MATTERS AT DIVISION X KAP ABC

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ABSTRACT

Background: Users of financial statements may have higher expectations due to audit reports, which are thought to be of no informational value. Including essential information in the audit report will decide how it can be used because the "expectations gap"—the difference between what users expect and what the auditing profession believes—has risen dramatically over time.

Aim: This study aims to analyze the readiness to implement Audit Standard SA 701 Key Audit Matters (KAM) at Division X KAP ABC (an Indonesian audit firm) and the auditors' understanding of KAM, including potential doubts regarding the classification of KAMs with other reporting standards such as SA 706 Emphasis of Matter and SA 570 Going Concern.

Method: The method of collecting data was through a questionnaire and semi-structured interviews with external auditors in charge at Division X KAP ABC. The questionnaire statements are taken from previous research of Hegazy and Kamareldawla based on paragraphs SA 701, SA 706, and SA 570, which consist of 26 statements.

Findings: The analysis results conclude that the auditors understand the explanation of SA 701. However, there is potential for doubt in classifying a matter as the Emphasis of a Matter and Going Concern. Concerning the implementation readiness of KAM SA 701 in 2022, Division X KAP ABC has communicated and interacted more with its clients and conducted training and sharing sessions.

KEYWORDS

key audit matters, SA 701, SA 706, SA 570, auditor's report

INTRODUCTION

Researchers have long debated the usefulness of audit reports for users of financial statements (Hegazy & Kamareldawla, 2021). Audit reports have no information value and can increase the expectations gap among users of financial statements (Bédard et al., 2019). The "expectations gap" between what users anticipate and what the auditing profession believes has grown significantly over time, including pertinent information in the audit report will determine how it can be used.

Users anticipate receiving information that will make financial statements easier to interpret and enable them to evaluate the impact of fundamental problems, such as serious misstatements, on the company's operations and financial condition (Heilmann & Pott, 2018). However, auditors frequently provide the bare minimum of information to reduce the danger of litigation. Still, it falls within the parameters established by auditing standards.

The International Auditing and Assurance Standards Board (IAASB) developed an improved audit reporting model in response to concerns about the openness of audit reporting (International Auditing and Assurance Standard Board, 2015a). The most significant changes discussed in the IAASB revisions are the addition of Key Audit Matters (KAM) (International...
Implementing the Readiness of Key Audit Matters at Division X KAP ABC

Auditing and Assurance Standard Board, 2015a) and the establishment of new disclosure requirements, which call for the provision of information regarding critical problems found by auditors during audits (International Auditing and Assurance Standard Board, 2013).

Australia, New Zealand, the UK, most European countries (Kend & Nguyen, 2022), and China have added ISA 701 since the 2016 financial year (Wu et al., 2019). Malaysia (Min & Kee, 2019), the Philippines (Auditing and Assurance Standards Council, 2017), Thailand (Kitiwong & Sarapaivanich, 2020), and Singapore adopted ISA 701 for the 2016 audit (Accounting and Corporate Regulatory Authority et al., 2017). SA 701 (2021) was made by the Indonesian Institute of Certified Public Accountants (IAPI) and approved on July 13, 2021. SA 701 (2021) applies to audits of issuers for periods beginning on or after January 1, 2022.

KAP ABC faces a challenge in implementing KAMs because SA 701 provides auditors with guidance on identifying KAMs, but the standard explanatory material is deemed too general. It will cause auditors to be concerned about correctly classifying Key Audit Matters. SA 701 also limits the auditor's ability to avoid disclosing all information about the entity during the audit process by communicating with those charged with corporate governance and selecting the most significant matters based on the auditor's judgment.

The capability of accurately classifying KAM has an additional influence on the activities taken and judgments made during an audit. During the audit, come up with an issue to discuss, including the primary audit matter that will be addressed in the auditor's report. The auditor must be able to classify KAMs into the appropriate category. The auditor needs to have a thorough understanding of this new standard. They also need to be able to eliminate any uncertainty regarding other reporting standards, such as SA 706 (2021), which addresses the emphasis of a matter or other paragraph or Emphasis of Matters (EOM), and SA 570 (2014), which addresses going concern (GC).

External auditors are required by SA 706 (2021) to report items critical to the users' understanding of the financial statements, such as significant future occurrences or material uncertainty about future outcomes. Important future events and material uncertainty are included in this category. The new version of SA 706 (2021) requires the auditor to explain that the EOM is distinct from the KAM and that the EOM has not been classified as a KAM. Concerns about significant risk should be defined as KAM, but the EOM paragraph should be used to communicate any additional audit planning or scope-related concerns.

The objective of the EOM paragraph is to provide users with financial statement-related information that is not KAM when KAM is disclosed in the audit report (International Auditing and Assurance Standard Board, 2015b). The EOM portion of the audit report may be given after the KAM section.

Based on the background described above, the research questions are:

1) How is the auditor's capability in classifying Key Audit Matters from various matters identified during the audit?
2) Is there any potential doubt when classifying an issue, whether it is as a Key Audit Matter, an Emphasis of Matters, or a going concern?
3) How is the readiness of KAP ABC to implement Key Audit Matters?

The objectives to be achieved in this study are to determine the auditor's capability in implementing Key Audit Matters and the potential for doubt on the opinion of Emphasis of
Implementing the Readiness of Key Audit Matters at Division X KAP ABC

Matters and going concern, as well as to determine the readiness of implementation in division X KAP ABC.

METHOD

This study is directed at examining the capability of the readiness to implement Key Audit Matters by auditors in Division X KAP ABC. This research uses a descriptive method, which describes the object studied in deep, comprehensive detail. To find out the auditor's understanding of Key Audit Matters and the difference between Emphasis of Matters (EOM) and Going Concern (GC), the auditor was asked to answer several questions through a questionnaire and to prepare for the implementation of KAM in Division X KAP ABC, semi-structured interviews were conducted with engagement partners.

The distribution of questionnaires on the capability of KAP ABC Division X auditors on KAM, EOM, and GC was carried out using a Google form from May 10, 2022, to June 9, 2022. The questions consisted of 26 statements related to SA 701 (2021), 706 (2021), and 570 (2014), where respondents were asked to choose the correct answer regarding statements that included KAM (Key Audit Matters), EOM (Emphasis of Matters), and GC (Going Concern). The 26 statements in the questionnaire were adapted from previous research by Hegazy and Kamareldawla (2021).

Respondents consist of 40 auditors in charge at Division X KAP ABC, whose identities are guaranteed to be confidential (Anonymous). In filling out the questionnaire, respondents were not informed about the 26 statements contained in the explanations of SA 701 (2021), SA 706 (2021), and SA 570 (2014).

The assessment for each statement is carried out using two dummy variables, with a value of "0" indicating the wrong classification or "1" indicating the correct category. Furthermore, the researcher conducted online interviews with engagement partners regarding the readiness of Division X at KAP ABC on the Implementation of Key Audit Matters, which was carried out on May 22, 2022, using Google Meet, and on June 10, 2022, using Whatsapp. Data from the results of this questionnaire were then analyzed by calculating the average value for each statement of audit standards and sorted from the highest value.

RESULTS AND DISCUSSION

Of the 40 questionnaires distributed, 35 responded with a response rate of 77.5%.

Demographic Profile

The respondents consisted of Audit Engagement Partners (3) (8.57%), Managers (6) (17.14%), Supervisors (6) (17.14%), and Senior Auditors (20) (57.14%). The most dominant length of work is 5-10 years, the average in charge auditor in division X KAP ABC does not yet have a CPA degree. The most dominant age is under 30 years which are senior auditors.

The Auditor's Capability in Classifying Key Audit Matters from Various Matters Identified during the Audit

The statement in the questionnaire shows that 11 individual statements based on previous research by Hegazy dan Kamareldawla (2021) were contained in the explanations of SA 701...
Implementing the Readiness of Key Audit Matters at Division X KAP ABC

(2021). The correctness of answers is determined by calculating each statement's average (mean) value against the choice classification answer SA 701.

**Table 1.** Statements of Classifying as KAM Highest Rank

<table>
<thead>
<tr>
<th>Rank</th>
<th>Statements in the Questionnaire</th>
<th>No. in Questionnaire</th>
<th>Average (mean)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Identified material risks or issues needing significant auditor judgment in financial statement preparation</td>
<td>Q1</td>
<td>85.7%</td>
</tr>
<tr>
<td>2</td>
<td>Whether the auditor needed written statements from management to verify audit material. Written representations include plans or intentions that may affect carrying value or asset classification.</td>
<td>Q19</td>
<td>77.1%</td>
</tr>
<tr>
<td>3</td>
<td>Accounting policies or areas of complexity in financial reporting that are unique to a particular industry.</td>
<td>Q12</td>
<td>71.4%</td>
</tr>
<tr>
<td>4</td>
<td>There were many different auditing factors to examine, all of which were interconnected with one another. Revenue recognition, litigation, and other contingencies, as well as other accounting estimations, may all need special attention from auditors when dealing with long-term contracts.</td>
<td>Q14</td>
<td>68.6%</td>
</tr>
<tr>
<td>5</td>
<td>Accounting policies that are new or changing, such as entity- or industry-specific issues, for which the engagement team contacted organization members to measure, present, or disclose transactions.</td>
<td>Q9</td>
<td>65.7%</td>
</tr>
<tr>
<td>6</td>
<td>Some economic factors, like markets that aren't liquid for certain financial instruments, can make it harder for an auditor to get audit evidence.</td>
<td>Q17</td>
<td>60.0%</td>
</tr>
<tr>
<td>7</td>
<td>Significant risks identified specifically in the context of the entity, rather than those identified solely because they are presumed to be significant risks in the SAs. Fraud, for example, is a significant risk.</td>
<td>Q18</td>
<td>60.0%</td>
</tr>
<tr>
<td>8</td>
<td>Recent significant economic, accounting, regulatory, or other developments may have an impact on management's assumptions, judgments, or audit approach.</td>
<td>Q4</td>
<td>57.1%</td>
</tr>
<tr>
<td>9</td>
<td>Changes to a company's business plan or strategy have a big effect on its financial statements.</td>
<td>Q6</td>
<td>48.4%</td>
</tr>
<tr>
<td>10</td>
<td>Circumstances that prompted a large adjustment of the auditor's audit process, such as a serious internal control weakness.</td>
<td>Q8</td>
<td>48.4%</td>
</tr>
<tr>
<td>11</td>
<td>Accounting estimates with high estimation uncertainty are of interest to financial statement users.</td>
<td>Q2</td>
<td>45.7%</td>
</tr>
</tbody>
</table>
Table 1 shows, in a previous study conducted by Hegazy and Kamareldawla (2021), there were 8 statements correctly classified as KAM, also explained in SA 701 paragraph 9, “areas identified as significant risk” (Q1), in line with previous research this statement also received the highest average percentage in the classification correct KAM. Then explained in SA 701 (2021) in paragraph 21, “the statement regarding significant modifications to audit planning related to deficiencies in internal control” (Q8); this result is not in line with previous research because the statement (Q8) in this study has the second highest error in the classification of KAM.

Furthermore, statements regarding significant areas of the auditor did not obtain sufficient audit evidence and areas of the complexity of certain industry financial statements (this statement was removed from the questionnaire list based on discussions with the audit engagement partner). Statements regarding accounting estimates with high estimation uncertainty (Q2) are not in line with previous research. Statement (Q2) has the highest percentage of errors in the classification of KAM in this study.

Then statements regarding matters that involve separate but related auditors’ concerns, such as revenue recognition, litigation, or other contingencies that may affect other accounting estimates (Q14), are in line with previous research. Related to fraud in an entity (Q18) is in line with previous research where this statement has an average percentage of true 60.0%, with a rating of 7 in this study.

From the answers to the questionnaire above, it can be concluded that knowledge related to SA 701 by Division X KAP ABC is still general. In the initial implementation of SA 701, in general, from the 11 questionnaire statements, there were eight statements classified as true as KAM by most of the respondents, namely statements (Q1, Q19, Q12, Q14, Q9, Q17, Q18, and Q4) in this study. This shows that the concept of KAM is still not fully understood by the auditors, so it is necessary to make further guidelines as a reference in audit reports.

There is a Potential for Auditor Doubt in Classifying the Problem as Key Audit Matters or Emphasis of Matters or Going Concern

The statement in the questionnaire shows that 10 individual statements based on previous research by Hegazy and Kamareldawla (2021) were contained in the explanations of SA 706 (2021). The correctness of answers is determined by calculating each statement’s average (mean) value against the choice classification answer SA 706 (2021).

<table>
<thead>
<tr>
<th>Rank</th>
<th>Statements in the Questionnaire</th>
<th>No. in Questionnaire</th>
<th>Average (mean)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Between the time of the financial statements and the date of the auditor's report, a significant event occurs.</td>
<td>Q11</td>
<td>51,4%</td>
</tr>
<tr>
<td>2</td>
<td>To inform users that the financial statements used a special framework.</td>
<td>Q3</td>
<td>45,7%</td>
</tr>
</tbody>
</table>
Implementing the Readiness of Key Audit Matters at Division X KAP ABC

<table>
<thead>
<tr>
<th></th>
<th>When a law or regulation requires a financial reporting system that would not be acceptable if it weren't required.</th>
<th>Q16</th>
<th>40.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>A new accounting standard isn't yet in effect, but it will affect financial statements.</td>
<td>Q20</td>
<td>40.0%</td>
</tr>
<tr>
<td>5</td>
<td>Potential future judicial or regulatory action that raises significant doubts about the case's outcome.</td>
<td>Q5</td>
<td>37.1%</td>
</tr>
<tr>
<td>6</td>
<td>A matter properly provided or disclosed in the financial statements that, in the auditor's opinion, is so important to the users' understanding of the financial statements that it cannot be omitted.</td>
<td>Q7</td>
<td>37.1%</td>
</tr>
<tr>
<td>7</td>
<td>Undisclosed information relevant to understanding the audit, the auditor's responsibilities, or the auditor's report.</td>
<td>Q13</td>
<td>34.2%</td>
</tr>
<tr>
<td>8</td>
<td>A major disaster that has significantly affected the entity's finances.</td>
<td>Q10</td>
<td>25.7%</td>
</tr>
<tr>
<td>9</td>
<td>Same entity prepared financial statements using a different general-purpose framework, and auditor issued a report.</td>
<td>Q15</td>
<td>20.0%</td>
</tr>
<tr>
<td>10</td>
<td>Audit planning and scoping communication (e.g. the planned scope of the audit or the application of materiality in the context of the audit).</td>
<td>Q21</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Table 2 shows statements of classifying as EOM with the highest Rank. In a previous study conducted by Hegazy and Kamareldawla (2021) there were 3 statements were correctly classified as EOM, also explained on SA 706 paragraph A4 about “significant subsequent events” (Q11) in line with previous research, this statement also received the highest average percentage in the correct EOM classification. The statement about “the financial statements are prepared in accordance with the special purpose framework” (Q3) is also explained on SA 706 A9, the results are in line with previous research, furthermore also explained on SA 706 A14 “the financial statement statements are prepared with other general-purpose frameworks” (Q15) these results are not in line with previous research there is a potential for doubt about the intended meaning.

In general, out of 10 questionnaire statements, there is only 1 statement that is classified as true as EOM by most of the respondents. This indicates the need for further guidance in audit report standards related to SA 706 (2021) and the need for training and sharing seasons.

**There is a Potential for Auditor Doubt in Classifying the Problem as Key Audit Matters or Going Concern**

The statement in the questionnaire shows that 5 individual statements based on previous research by Hegazy and Kamareldawla (2021) were contained in the explanations of SA 570. The correctness of answers is determined by calculating each statement's average (mean) value against the choice classification answer SA 570.
Table 3. Statements of Classifying GC with the Highest Rank

<table>
<thead>
<tr>
<th>Rank</th>
<th>Statements in the Questionnaire</th>
<th>No. in Questionnaire</th>
<th>Average (mean)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Loss of a major market, an important client franchise license, or an important primary supplier. A sufficient amount of information regarding this matter has been disclosed.</td>
<td>Q25</td>
<td>48.6%</td>
</tr>
<tr>
<td>2</td>
<td>Borrowings having fixed maturities that are approaching maturity with no realistic chance of renewal or repayment, or an excessive reliance on short-term borrowings to finance long-term investments. This topic has been sufficiently disclosed.</td>
<td>Q24</td>
<td>37.1%</td>
</tr>
<tr>
<td>3</td>
<td>Inability to comply with loan agreements' requirements. There is adequate disclosure of this subject in the financial statements.</td>
<td>Q23</td>
<td>31.4%</td>
</tr>
<tr>
<td>4</td>
<td>Historical and forecast financial statements reflect negative cash flows from operations. There is sufficient disclosure of this subject.</td>
<td>Q26</td>
<td>31.4%</td>
</tr>
<tr>
<td>5</td>
<td>Law, regulation, or government policy changes could hurt the company. Financial statements disclose this adequately.</td>
<td>Q22</td>
<td>25.7%</td>
</tr>
</tbody>
</table>

Table 3 shows, in general, understanding of GC, it can be said that most auditors experience potential doubts when classifying matters as GC, following SA 701, which has been explained in paragraph 4 regarding “Communication of major audit matters in the auditor's report is in the context of the auditor having formulated an opinion on the financial statements as a whole. Communicating major audit matters in the auditor's report does not include: Paragraph 15 "Principal audit matters include anything that raises material uncertainty about the entity's ability to continue as a going concern after SA 570 (Revised 2021). This will not be explained in the main audit. Instead, the auditor must report these issues based on applicable SAs and Qualified Opinion ".

**The Readiness to Implement Key Audit Matters at KAP ABC**

Readiness to implement Key Audit Matters represented by semi-structured interviews with audit partners.

**Changes in Auditor Reports and Audit Practices**

Responding to changes in audit practice, with the increase in audit reports, audit quality reviews, and the need for more complete and standardized audit documentation, it is natural for the auditor's workload to increase (Aobdia, 2018) this is following previous research because according to interview results the need for risk-based implementation a more in-depth audit, this will affect the series of audit procedures carried out including more complete and
Implementing the Readiness of Key Audit Matters at Division X KAP ABC

standardized documentation of audit evidence which will also increase the workload of the auditor.

“The deep application of risk-based audit, as well as changes in the way auditors communicate with stakeholders, especially regarding the significant risks found during the audit and the steps (audit procedures) that the auditors take in dealing with these risks.”

With enhanced audit reports, audit quality reviews, and the need for more complete and more standard audit documentation, it is natural for the auditor's workload to increase (Aobdia, 2018); this is not to previous research because according to the audit partner in terms of audit planning it has no significant effect. However, there will be more internal consultation for auditors within the firm, and a more independent review will be required.

“In terms of work planning strategy, it will not have a significant effect, but it will be more significant in the preparation of financial statements and decisions on the auditor's report because it is possible that in the application of Key Audit Matters, there can be misclassification of things including Key Audit Matters that will be included in the auditor's report.”

Audit Quality Improvement from Changes in Independent Auditor's Report

Regarding the implementation of Key Audit Matters on improving audit quality and the impact that changes to new standards can have on auditor reports, previous research conducted by Mihret et al., (2022) explains that the application of KAM improves the quality of work with this level of additional audit and review documentation. These made auditors re-examine and ensure good consistency across their working papers and audit files, a positive aspect of the audit report change.

“KAM disclosure can improve audit quality, especially in terms of the auditor's interaction with relevant stakeholders, and communicate significant issues or deficiencies that exist through the independent auditor's report (LA1/auditor's opinion). In addition, it is hoped that with further disclosure of information related to significant risks, the audit opinion can also provide added value for its readers and for client management.”

Key Audit Matter Scope and Auditor-Client Relations

The literature at the time the new reporting standards were available for public comment raised concerns around the (later) impact of the proposed new reporting on the audit environment, particularly on engagements between auditors and their clients (Segal, 2019). In accordance with respondents' opinions regarding the relationship between auditors, users, and preparers of financial statements, the implementation of Key Audit Matters emphasizes things that may impact financial statement preparers and users of financial statements that are more general and non-specific.

“Discussions during the preparation and inclusion of KAM by the audit team can encourage the preparers of financial statements (management) to increase transparency, especially providing information about the assumptions used in relation to accounting estimates and management's considerations on certain accounting practices to increase public trust and report users. Other financial statements to the entity's management.”

In general, the disclosure of KAM has been defined as a discussion of the most significant audit concerns, and KAM has been described as a useful reference point that can even help
Implementing the Readiness of Key Audit Matters at Division X KAP ABC

bridge audit expectations. The audit expectation gap is the discrepancy between stakeholder assumptions about the audit's purpose and scope and the audit's actual purpose and scope (Velte & Issa, 2019). The KAM disclosures may have assisted investors in comprehending the auditors' job and the intricacies of financial statements.

"Additional paragraphs regarding important audit matters must also be communicated to the client because this is a new thing, when the client sees a new paragraph of possible responses, whether this paragraph will affect the decisions of the client's financial statement readers."

The Readiness of Implementing Key Audit Matters at Division X KAP ABC

Responding to the readiness to implement Key Audit Matters in Division X KAP ABC, a KAP affiliated with a Foreign KAP that has been applied beforehand.

"Resources from foreign KAPs affiliated with us are generally in the form of guides and seminars, such as video recordings of ACCA Global presentations and from our affiliated KAP Heads of Audit, to help us better understand the new SA and its implementation."

Strategies can take on a variety of forms, including collaboration, and must be prepared for the preparedness to implement Key Audit Matters. In this approach, they are able to manage the divergent interests of several parties and adjust or construct a logic acceptable to the parties. (Gray, 2000; Narayan et al., 2017).

"Increasing socialization and training both internally and from IAI and IAPI to all levels of the audit team (especially for senior, manager, and partner levels), completion of sample opinion guides for the first year of KAM implementation, preparation of strategies and audit procedures to accommodate the inclusion of KAM in auditor's opinion, socialization to issuer clients and their stakeholders regarding the implementation of KAM."

The Possibility of No KAM in an Entity

If there is a possibility that there is no KAM in an entity or the audit client thinks that what the auditor finds to be KAM is not a KAM. Following the explanatory paragraph in SA 701 (2021):

"It may occur when the auditor determines that there is no Key Audit Matter in an entity to be disclosed in the independent auditor's report, but it may be rare that the auditor auditing the issuer's financial statements is unable to determine at least one major audit matter from several some many of matters communicated to the issuer, parties responsible for governance (board of commissioners) in the auditor's report, but this may occur in certain limited conditions such as the business activities of the issuer, which is very limited."

The auditor finds a major audit issue, but the client doesn't. In that case, SA 701 (2021) explains: "When a Principal Audit Matter is Not Communicated in the Auditor's Report, the auditor must explain each audit matter in the auditor's report except (Ref. Para. A53-A56):

1) The law prohibits public disclosure; or (Ref: Para. A52); and
2) In very rare cases, the auditor determines that communicating such matters would be detrimental to the public interest. This does not apply if the entity has publicly disclosed information about it."
CONCLUSION

Based on the results of the research above, to determine the auditor's understanding in correctly classifying a matter as KAM, the author uses 11 questions taken from paragraph SA 701; from all of these statements, the auditor in Division X KAP ABC can conclude KAM correctly from the things during auditing of 8 statements regarding areas of significant risk, industry complexity and certain accounting estimates.

Then there is the potential for doubt in correctly classifying matters as EOM, as most of the answers that should have been classified as EOM were chosen as KAM; this explains that the explanatory paragraph of SA 701 is too general to be able to assist the auditor in deciding what should be classified as KAM.

This study also raises doubts when classifying things as GC; most participants choose the wrong GC classification. It also explains that the auditor's level of understanding of the application of SA 701 is not sufficiently understood.

Readiness to apply SA 701 in audit report decisions, in general, from interviews conducted with audit engagement partners, they are aware of the implementation of the Main audit matter paragraph. However, this knowledge is still general, and it is still a new auditing standard. Things that need to be prepared by the auditor are to understand SA 701, especially the supervisor, manager, and audit partner levels, then share knowledge about the latest standards and conduct training.

Then concerning the work planning strategy, it does not have a significant effect. However, the auditor's ability to make decisions on matters included in the main audit matters must continue to develop through experience and communication with TCWG.

Concerning work planning, the auditor must be able to determine the risks so that the audit process follows auditing standards. Significant matters can occur when preparing financial statements, as errors can occur in correctly classifying Key Audit Matters. However, this new form of the report positively impacts the transparency of audit reports. The addition of this paragraph will also affect the client because it affects the decisions of the readers of the financial statements, so there must be initial communication and discussion regarding the disclosure of Key Audit Matters to the client (audit company).

If there is no KAM in an Entity, it is explained in auditing standard 701 that it will be very rare that there is no KAM in an Entity. However, it may occur under certain limited conditions (for example: for issuers with very limited business activities.

Situations exist where the auditor considers the main audit matters, but the client (the audit firm) considers these matters not to be the main ones that should be disclosed in the audit report. This may occur with the following limitations: (1) the laws and regulations prohibit disclosing it to the public, and (2) if it is detrimental to be disclosed to the public, that exceeds the benefits of disclosing it to the public.

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Implementing the Readiness of Key Audit Matters at Division X KAP ABC


1384 Interdisciplinary Social Studies, 1(11), Aug 2022
