



**CIRCULAR**

NSE/LARD/LRD/CIR2/17/01/31

31 January 2017

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**INTERNATIONAL STANDARDS ON AUDITING (ISA) 701 – AUDITOR’S RESPONSIBILITY TO COMMUNICATE KEY AUDIT MATTERS (KAM) IN THE AUDITOR’S REPORT**

Please be advised that the Financial Reporting Council of Nigeria (FRC) has announced 15 December 2016 as the effective date for the implementation of **ISA 701 – “Auditor’s Responsibility to Communicate Key Audit Matters in the Auditor’s Report”** for all companies listed on The Nigerian Stock Exchange (“The Exchange”).

The purpose of this Circular is to provide listed companies with information about ISA 701:

**1. What is ISA 701?**

ISA 701 deals with an auditor’s responsibility to communicate key audit matters in the Auditor’s report. It is intended to address the following matters:

- a. Auditor’s judgement as to what to communicate in the Auditor’s report;
- b. The form of such communication; and
- c. The content of the communication.

**2. What does ISA 701 apply to?**

ISA 701 is applicable in three situations, as follows:

- a. The first situation is audits of complete sets of general purpose financial statements of listed entities such as year-end audits of companies;
- b. The second situation is when the Auditor otherwise decides to communicate key audit matters in the Auditor’s report.
- c. The third situation is when the Auditor is required by law or regulation to communicate key audit matters in the Auditor’s report.

**3. Are there any exceptions to applicability of ISA 701?**

Yes. Please be advised that ISA 705 (Revised) prohibits the Auditor from communicating key audit matters when the Auditor disclaims an opinion on the financial statements, unless such reporting is required by law or regulation.

**4. What is the commencement date of effectiveness?**

The Financial Reporting Council (FRC) published Rule 9: Application of International Standard on Auditing (ISA) 701 (Communicating Key Audit Matters in the Independent Auditor’s Report) in Nigeria on 14 November 2016 that ISA 701 will be effective for audits

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of financial statements of listed companies for periods ending on or after 15 December 2016.

Please be reminded that The Exchange has a Zero Tolerance Policy regarding violations of its Rules and Regulations, including non-compliance with relevant laws and regulations, applicable in Nigeria.

Please be guided accordingly.

**Godstime Iwenekhai**

*For:* Head, Listings Regulation Department

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