



## **Application of HKSA 701, *Communicating Key Audit Matters in the Independent Auditor's Report***

It is stated in paragraph 2 of HKSA 701 that the purpose of communicating key audit matters is to enhance the communicative value of the auditor's report by providing greater transparency about the audit that was performed. Communicating key audit matters provides additional information to intended users of the financial statements ("intended users") to assist them in understanding those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. Communicating key audit matters may also assist intended users in understanding the entity and areas of significant management judgment in the audited financial statements.

In accordance with paragraph 30 of HKSA 700, *Forming an Opinion and Reporting on Financial Statements*, HKSA 701 shall be applicable for audits of complete sets of general purpose financial statements of listed entities.

Listed entity is defined in the *Glossary of Terms* as an entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.

Accordingly, HKSA 701 is applicable for audits of complete sets of general purpose financial statements of listed entities as defined in the *Glossary of Terms* which is consistent with the IAASB's *Glossary of Terms*.

HKSA 701 is not intended to apply to securities offering documents, including prospectuses, unless it is required by law or regulation to communicate key audit matters in the auditor's report. The Main Board Listing Rules and GEM Listing Rules of The Stock Exchange of Hong Kong Limited as at the date of this publication do not require securities offering documents to apply HKSA 701.