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## **Circular 1/2015**

concerning information on key audit matters in the audit report to the general meeting of shareholders (Circ. 1/2015)

of 21 December 2015

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## I. Background

- 1 Audit firms under state oversight must comply with auditing and quality assurance standards in providing auditing services. The Federal Audit Oversight Authority (FAOA) determines the applicable nationally or internationally recognised standards. If there are no standards, or are they insufficient, the FAOA may enact its own standards or supplement or modify existing ones (Art. 16a AOA<sup>1</sup>).
- 2 The auditors issue a summarised written report on the results of the audit to the general meeting of shareholders (audit report). In particular, this report includes an audit opinion (Art. 728b para. 2 CO<sup>2</sup>).
- 3 International auditing standards require that the audit report on the entity and consolidated financial statements of stock exchange-listed companies includes information on the key audit matters assessed as part of the audit (Key Audit Matters, International Standard on Auditing, ISA 701<sup>3</sup>). This applies to the audit of entity and consolidated financial statements for financial years ending on or after 15 December 2016. It is unlikely that this requirement will be incorporated within the national auditing standards, Swiss Auditing Standards (SAS), in time. This will lead to a temporary gap between ISA and SAS since no information on key audit matters will be required for audited stock exchange-listed companies that do not prepare their entity and consolidated financial statements under International Financial Reporting Standards (IFRS), but rather under the provisions of the CO, the accounting and reporting recommendations of the Foundation for Accounting and Reporting Recommendations (Swiss GAAP ARR) or US Generally Accepted Accounting Principles (US GAAP) (Art. 2 f. OO-FAOA<sup>4</sup>). The present circular closes this gap until the SAS relevant to reporting have again been aligned to ISA.

## II. Information on key audit matters

- 4 In their audit report to the general meeting of shareholders the auditors of companies with equity securities or bonds listed on a Swiss stock exchange must provide information on the key matters which were assessed as part of the audit (Art. 728b para. 2 no. 1 CO).
- 5 The presentation of the key audit matters follows the relevant provisions of ISA 701, as issued by the International Auditing and Assurance Standards Board (IAASB) and in the version applicable at that time.

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<sup>1</sup> Auditor Oversight Act of 16 December 2005 (AOA; SR 221.302).

<sup>2</sup> Swiss Code of Obligations of 11 March 1911 (CO; SR 220).

<sup>3</sup> International Standard on Auditing 701, Communicating Key Audit Matters in the Independent Auditor's Report (ISA 701).

<sup>4</sup> Ordinance of the FAOA on the Oversight of Audit Firms of 17 March 2008 (OO-FAOA; SR 221.302.33).

### III. Enactment

- 6 This circular comes into effect on 21 December 2016 and applies to the audit of entity and consolidated financial statements for financial years ending after this date. Earlier adoption is permitted<sup>5</sup>. The circular is annulled upon the incorporation of ISA 701 within SAS.

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<sup>5</sup> This also applies to the application of ISA 701 in the audit of entity and consolidated financial statements prepared in accordance with IFRS.