

Communication of Key Audit Matters in Public Accountant Reports on Audited Financial Statement in the Capital Market

Financial Services Authority Regulation Number 30 of 2023

September 2024



On December 29, 2023, the Financial Services Authority (OJK) issued Regulation Number 30 of 2023 concerning the Communication of Key Audit Matters in Public Accountant Reports on Audited Financial Statements in the Capital Market (“POJK 30 of 2023”). This regulation aims to address disparities in the communication of Key Audit Matters in audit opinions on financial statements issued by entities operating in the capital market.

Key Audit Matters




The objectives of communicating Key Audit Matters, as outlined in Standards on Auditing 701 (Revised 2021) regarding the Communicating Key Audit Matters in the Independent Auditor’s Reports (“SA 701”), established by the Indonesian Institute of Public Accountants, are to:

- 1 Enhance the communicative value of the auditor’s report by providing greater transparency about the audit performed.
- 2 Provide additional information to intended users of the financial statement (“intended users”) to help them understand the matters that, in the auditor’s professional judgment, were most significant in the financial statements for the current period.
- 3 Assist intended users in understanding the entity and areas of significant management judgment in the audited financial statements.
- 4 Provide intended users with a basis for further engagement with management and those charged with governance regarding certain matters related to the entity, the audited financial statements, or the audit performed.



SA 701 applies to audits of complete sets of general-purpose financial statements of listed entities and circumstances when the auditor decides to communicate Key Audit Matters in the auditor’s report. This standard also applies when the auditor is required by law or regulation to communicate Key Audit Matters in the auditor’s reports. However, the standard prohibits the auditor from communicating Key Audit Matters when issuing a disclaimer of an opinion on the financial statements, unless such reporting is required by law or regulation.

Key Audit Matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statement for the current period. The auditor shall determine the matters that required significant attention when performing the audit by taking into account the following:

-  Areas of higher assessed risk of material misstatement, or significant risks identified.
-  Significant auditor judgments relating to areas in the financial statements that involved significant management judgment, including accounting estimates that have been identified as having high estimation uncertainty.
-  The effect of significant events or transactions on the audit that occurred during the period.

The auditor shall determine which of these matters were most significant in the audit of the financial statement for the current period, and these will be classified as the Key Audit Matters.

Regulation POJK 30 of 2023

The OJK considers it necessary to establish clarifications and guidelines for other parties under the oversight of the Capital Markets, Derivative Finance, and Carbon Exchanges of the OJK to require the communication of Key Audit Matters in public accountant reports.

According to Article 2 of POJK 30 of 2023, entities with public accountability in the Capital Markets are defined as follows:

1. Entities that conduct public offerings of:
 - a. shares;
 - b. bonds;
 - c. sukuk; and/or
 - d. structured warrants;whose securities are listed and/or traded on the stock exchange.
2. Entities that serve as vehicles for raising funds from the public, which are subsequently invested in investment portfolios consisting of securities that are listed and traded

on the stock exchange, include:

- a. mutual funds structured as Collective Investment Contracts (KIK) with units traded on the stock exchange;
 - b. asset-backed securities KIK;
 - c. asset-backed securities in the form of participation letters;
 - d. infrastructure investment funds in the form of KIK; or
 - e. real estate investment funds in the form of KIK.
3. Entities that serve as vehicles for raising funds from the public, which are subsequently invested in investment portfolios consisting of securities that are not listed on the stock exchange, include:
 - a. mutual funds in the form of KIK;
 - b. mutual funds in the form of limited participation KIK;
 - c. asset-backed securities KIK;
 - d. multi-asset investment funds in the form of KIK;
 - e. infrastructure investment funds in the form of KIK;
 - f. real estate investment funds in the form of KIK;
 - g. KIK for collection of public housing saving funds;
 - h. asset-backed securities in the form of participation letters;
 - i. mutual funds in the form of a company; or
 - j. other collective investment products as defined by the OJK.
 4. Public companies;
 5. Entities that carry out activities within the Capital Markets including:
 - a. stock exchanges;
 - b. clearing and settlement institutions;
 - c. custody and settlement agencies;
 - d. brokerage firms licensed as securities intermediaries
 - e. and/or underwriters, or investment managers;
 - f. credit rating agencies;
 - g. securities pricing agencies;
 - h. carbon trading organizers;
 - i. investor protection fund administrator; or
 - j. securities financing institutions.
 6. Other entities within the Capital Markets as designated by the OJK.

The entities above are required to submit an Independent Auditor's Report on their financial statements, disclosing Key Audit Matters to the OJK.

Public Accountants are required to communicate matters that will be determined as Key Audit Matters to Those Charged with Governance (TCWG) during the preparation of the financial statements. The entity must appoint the TCWG and communicate this appointment to the Public Accountants. This appointment is carried out during discussions regarding the audit scope. TCWG is obliged to communicate matters that will be determined as Key Audit Matters submitted by the Public Accountants. The term “communicate” refers to the documented discussions held by the Public Accountants with the TCWG during the compilation of the Key Audit Matters agreed to be disclosed in the Public Accountants' report. The entity shall document and retain the results of communications between the TCWG and the Public Accountants.

The TCWG involved in the preparation of financial statements includes:

1. the audit committee for entities that are required to have an audit committee;
2. the investment manager and custodian bank for entities issuing investment products in the form of KIK; or
3. the issuer and custodian bank for entities issuing asset-backed securities in the form of participation letters.

In cases where an entity does not have an audit committee, the TCWG are: the board of commissioners;

1. the supervisory board;
2. the management committee; or
3. individuals or groups responsible for corporate governance.

Public Accountants are required to communicate the matters that will be determined as Key Audit Matters to the TCWG. Public Accountants must prepare the audit report in accordance with professional standards, unless otherwise specified by the OJK. This report must include the Key Audit Matters, which are developed and disclosed based on auditing standards for communicating Key Audit Matters in the independent auditor's report.

Public Accountants are prohibited from disclosing matters determined as Key Audit Matters if:

1. Legal regulations prevent the disclosure of such matters to the public; and/or
2. The disclosure would result in consequences for public interest that outweigh the benefits.

Conditions that may have adverse consequences to public interest that outweigh the benefits could include significant fluctuations in stock prices or triggering a market rush.

Public Accountants will disclose the matters determined as Key Audit Matters in a separate paragraph if the chosen Key Audit Matter results in:

1. A modified opinion, such as a qualified or adverse opinion; or
2. Material uncertainty related to events or conditions that could raise significant doubts about the entity's ability to continue as an ongoing concern.

If Key Audit Matters are not presented in the designated paragraph, the Public Accountants must provide a written explanation to the entity along with the audited financial statements. The entity is required to submit this written explanation to the OJK along with the audited financial statements. Both the Public Accountants and the entity must maintain the confidentiality of this written explanation.

The initial implementation of Key Audit Matter communication must adhere to the following stipulations:

1. It applies to audits of the 2023 annual financial statements for entities specified in Article 2, number 1 and 2, mentioned above.
2. It applies to audits of the 2024 annual financial statements for entities specified in Article 2, number 3, 4, and 5, mentioned above.
3. It applies to the first annual financial statements submitted to the OJK for entities specified in Article 2, number 6, mentioned above.

Penalties will be imposed on any party that violates the provisions outlined in POJK 30 of 2023, as stipulated in Articles 12, 13, and 14.

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Reference:

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