



REPORTING TO AUDIT COMMITTEES IN APPLICATION OF ARTICLE 11 OF THE REGULATION (EU) NO 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 16 APRIL 2014 ON SPECIFIC REQUIREMENTS REGARDING STATUTORY AUDIT OF PUBLIC-INTEREST ENTITIES

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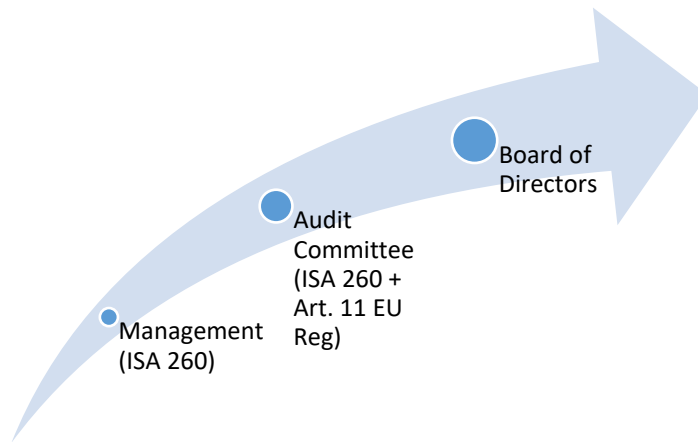
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As amended on 24 January 2019 (*new question 2.3*) and 21 January 2021 for conforming amendments.



Note to the reader

In the present "FAQ":

- The regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities is referred to "*Regulation*",
- "*Réviseur d'entreprises agréé*" within the meaning of Article 1 point (34) of the law of 23th July 2016 on the audit profession ("*Audit law*") is referred to "*approved statutory auditor*".
- "*Public-interest entity*" within the meaning of Article 1 point (30) of the Audit is referred to "*PIE*".

Q1. When is the additional report to the audit committee required?

Audit committee required by law

An audit committee is required by law when:

- the PIE is not exempt from the requirement to set up an audit committee in accordance with Art. 52 (5) of the Audit law,
- the PIE benefits from simplification measures in accordance with Art. 52 (2) of the Audit law and the Board of Directors / Supervisory Board is acting as audit committee.

The additional report is required when an audit committee is required by law.

Audit committee set up on a voluntary basis

When a PIE is exempted from the requirement to set up an audit committee in accordance with Art. 52 (5) of the Audit law and sets up an audit committee anyway, this audit committee is deemed to be set up on a "voluntary" basis. For instance, when a bank is exempt from having an audit committee by law, the audit committee of a bank set up in accordance with CSSF circular 12/552 is deemed to be a "voluntary" audit committee. The additional report is not required when an audit committee is set up on a voluntary basis.

Case where there is no audit committee

When the audit committee is not required by the Audit law, responsibilities assigned to the audit committee are not transferred to the Board of Directors. Provisions set out by Art. 16 of the Regulation in relation to the appointment of the approved statutory auditor shall be complied with by the body designated to that purpose by the articles of incorporation.

A decision chart is presented in appendix to help determining whether an audit committee is required by law or not and whether the additional report to the audit committee is required. The decision chart does not refer to derogation set out in Art. 52 (3) of the Audit law (equivalent body derogation). Section 1.8 of CSSF Circular 17/662¹ explains that CSSF has not yet determined the criteria for using this derogation.

Q2. How does Article 52 (5) letter a) articulate?

Article 52 (5) letter a) of the Audit law states that any public-interest entity which is a subsidiary undertaking within the meaning of point (10) of Article 2 of Directive 2013/34/EU is exempted from the requirement to set up an audit committee if that entity fulfils the requirements set out in paragraphs 1 to 4, Article 11 (1) and (2) and Article 16 (5) of Regulation (EU) No 537/2014 at group level.

Q2.1. Does a public interest entity benefit from this exemption if the parent 1. is not a public interest entity within the meaning of the Audit law (for example, a US company listed on the NYSE or a bank or insurance holding company), and 2. fulfils the conditions for the group auditor's additional report to the group's audit committee and the conditions for the appointment of the statutory auditor?

Article 52 (5) letter a) of the Audit law does not require the parent undertaking to be an EU PIE.

The exemption only prevails when the parent undertaking, which is not itself an EU PIE, complies at group level with the requirements at group level, i.e.:

- the group auditor's additional report to the group's audit committee (paragraphs 1 to 4, Article 11 (1) and (2)), and
- the conditions for the appointment of the statutory auditor (Article 16 (5) of Regulation (EU) No 537/2014).

Q2.2. If it is possible, should the approved statutory auditor verify compliance with the requirements set out in paragraphs 1 to 4, Article 11 (1) and (2) and Article 16 (5) of Regulation (EU) No 537/2014 at group level?

The Audit law does not require the approved statutory auditor to check the validity of the exemption applied by the EU PIE.

IRE recommends the approved statutory auditor to:

- clarify in the engagement letter that he/she is not responsible for checking the validity of the exemption, and
- ask those charged with governance at the EU PIE to reconfirm their understanding in the representation letter.

¹ Circular CSSF 17/662 of 27th July 2017 on the general presentation of the Law of 23 July 2016 and of the regulations on audit profession.

Q2.3. Where to make the disclosure to the public as set out in Article 52 (5) c of the Audit law for issuers of asset-backed securities?

Article 52 (5) c of the Audit law states that any public interest entity whose sole business is to act as issuer of asset-backed securities as defined in point (5) of Article 2 of Regulation 809/2004 is exempted from the requirement to set up an audit committee. In that case, the entity shall explain to the public the reasons why it considers that it is not appropriate for it to have either an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee.

The disclosure of the reasons for not setting up an audit committee may be done in the management report or in the corporate governance statement in accordance with Article 52 (5) letter c) of the Audit Law. Alternatively, the disclosure to the public can also be made through other means such as publication in the RCSL or through the website of the entity. Such disclosure shall not be done through the notes to the financial statements.

The approved statutory auditor is required to prepare the additional report to the audit committee. If such audit committee does not exist and the above-mentioned disclosure is not done, the approved statutory auditor shall:

- consider the impact of such situation on the audit report,
- consider the application of ISA 250 if the reason for not setting up an audit committee is not in compliance with applicable laws.

The additional report shall be addressed to the Board of Directors if the entity benefits from the simplification measures in accordance with Article 52 (2) of the Audit Law and the functions of the audit committee are assigned to the Board of Directors.

Q3. How does Article 11 of the Regulation articulate with ISA 260?

In accordance with International Standard on Auditing ("ISA") 260.10(a), those charged with governance ("TCWG") is/are the person(s) or organization(s) (e.g. a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process and internal control over financial reporting. For some entities in some jurisdictions, TCWG may include management personnel, for example, executive members of a governance board, or an owner-manager.

In Luxembourg, it is common practice to identify the audit committee as TCWG.

ISA 260 addresses required communications to management and TCWG whereas Article 11 of the Regulation addresses required communications to the audit committee.

Q3.1. Are communications to be made to management only?

ISA 260 makes a distinction between those communications that are required to be made to management only, to TCWG only and those that are to be made to both.

Some communications required by ISA 260 are for management only, mainly because the level of detail of these communications may be higher than those addressed to the audit committee. The statutory auditor shall therefore appreciate whether to include these communications to management in the additional report to the audit committee.



FAQ2018-02 « QUESTIONS / REPOSES » - FREQUENTLY ASK QUESTIONS

(First Council adoption on 18th January 2018,
conforming amendments on 21st January 2021)

The below matters should generally be communicated to management only (few exceptions exist for matters to be communicated to TCWG, i.e. ISA 240 (41) and ISA 250 (22)):

- Audit Misstatements:* Communicate with the appropriate level of management all misstatements accumulated during the audit, unless prohibited by law or regulation, and request their correction.
- Significant Control Deficiencies:* Communicate directly to management, in writing, significant deficiencies in internal control that the auditor has communicated or intends to communicate to those charged with governance, unless it would be inappropriate in the circumstances.
- Other Control Deficiencies:* Communicate to management other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in the auditor's professional judgment, are of sufficient importance to merit management's attention.
- Actual or Suspected Fraud:* If the approved statutory auditor has identified a fraud or has obtained information that indicates that a fraud may exist (i.e. a suspected fraud), communicate these matters on a timely basis to the appropriate level of management in order to inform those with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities, even those that are clearly inconsequential to the audit.
- Actual or Suspected Noncompliance/Illegal Acts:* If the approved statutory auditor suspects there may be non-compliance with laws and regulations, including illegal acts, discuss the matter and the approach for further investigation by the entity with an appropriate level of management that is at least one level above those involved, if possible, and where appropriate, TCWG.
- Other:* Discuss with management the nature of any conflicts between financial reporting standards and supplementing laws or regulations and agree whether: (a) the additional requirements can be met through additional disclosures in the financial statements, or (b) the description of the applicable financial reporting framework in the financial statements can be amended.

As the size of Luxembourg PIEs does not always allow the implementation of governance including management, audit committee and board of directors, IRE's view is that communications to TCWG required by ISA 260 and communications to the audit committee required by Article 11 of the Regulation can be combined in a single document.

Q3.2. What are those communications that are unique to ISA 260?

As set out by Article 11 paragraph 2 of the Regulation, the additional report to the audit committee shall explain the results of the statutory audit carried out. The only connection between ISA 260 and Article 11 of the Regulation pertains to those communications to be made at the completion stage of the audit, when it comes to explaining findings and conclusions arising from the audit.



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(First Council adoption on 18th January 2018,
conforming amendments on 21st January 2021)

A significant portion of communications required by ISA 260 at the completion stage of the audit is redundant with the content of the additional report to the audit committee.

A strict reading of Article 11 of the Regulation may suggest that certain communications required by ISA 260, such as fraud or related parties, are not within the scope of Article 11. However, IRE's view is that certain findings, for instance pertaining to fraud matters, shall be included in the additional report to the audit committee because of their significance to the statutory audit.

It is therefore up to the approved statutory auditor to decide whether communications required by ISA 260 at the completion stage and communications required by Article 11 should be merged.

Q4. How do we understand the provisions of Article 11 paragraph 2?

Q4.1. Identification of the principal auditor (Art. 11 par. 2(b))

Where the statutory audit was carried out by an approved audit firm within the meaning of Article 1 point (5) of the Audit law, the additional report to the audit committee shall identify each key audit partner involved in the audit. "Key audit partner" refers to the definition in Article 1 point (1) of the Audit law as follows:

"key audit partner(s)" mean(s):

- a) *the réviseur(s) d'entreprises agréé(s) (approved statutory auditor(s)) designated by a cabinet de révision agréé (approved audit firm) or an audit firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of the cabinet de révision agréé (approved audit firm); or*
- b) *in case of a group audit, the réviseur(s) d'entreprises agréé(s) (approved statutory auditor(s)) designated by a cabinet de révision agréé (approved audit firm) or an audit firm as being primarily responsible for carrying out the statutory audit at the level of the group and the réviseur(s) d'entreprises agréé(s) (approved statutory auditor(s)) designated as being primarily responsible at the level of material subsidiaries; or*
- c) *the réviseur(s) d'entreprises agréé(s) (approved statutory auditor(s)) who sign(s) the audit report;*

The key audit partner is always an approved statutory auditor.

In the case of group audits, IRE suggests that the group auditor (Article 1 point 8 of the Audit law), the approved statutory auditors (Article 1 point 34 of the Audit law), the approved audit firms (Article 1 point 5 of the Audit law), the statutory auditors (Article 1 point 9 of the Audit law) and the audits firms (Article 1 point 3 of the Audit law) be listed.

IRE proposed wording

The statutory auditor can present the key audit partner(s) in a schedule.

<i>Parent company</i>	<i>Approved audit firm ("Cabinet de révision agréé")</i>	<i>Approved statutory auditor ("Réviseur d'entreprises agréé")</i>
<i>Significant component</i>	<i>Approved audit firm / Audit firm</i>	<i>Key audit partner</i>

Alternatively, the approved statutory auditor can use a phrasing as follows:

Statutory audit of non-consolidated financial statements

[Name of the approved audit firm], cabinet de révision agréé, ("the Audit Firm") was appointed on [date] for the statutory audit of the financial statements of [entity's name] ("the Company", "the Bank", "the Insurance Company, "the Fund") for the year ended [date]. [Name of the approved statutory auditor], réviseur d'entreprises agréé, is the key audit partner on this statutory audit within the meaning of Article 1 point (1) letter a) of the law of 23th July 2016 on the audit profession.

Statutory group audit of consolidated financial statements

[Name of the approved audit firm], cabinet de révision agréé, ("the Audit Firm") was appointed on [date] for the statutory group audit of the consolidated financial statements of [entity's name] ("the Company", "the Bank", "the Insurance Company, "the Fund") for the year ended [date]. [Name of the approved statutory auditor], réviseur d'entreprises agréé, is the key audit partner on this statutory group audit within the meaning of Article 1 point (1) letter a) of the law of 23th July 2016 on the audit profession. Other key audit partners involved in the statutory audit of significant components are as follows:

- ...
- ...

Q4.2. Independence (Art. 11 par. 2(a) and (c))

Article 11 paragraph 2 letters a) and c) of the Regulation state that:

The report shall:

- (a) include the declaration of independence referred to in point (a) of Article 6(2);*
- (c) where the statutory auditor or the audit firm has made arrangements for any of his, her or its activities to be conducted by another statutory auditor or audit firm that is not a member of the same network, or has used the work of external experts, the report shall indicate that fact and shall confirm that the statutory auditor or the audit firm received a confirmation from the other statutory auditor or audit firm and/or the external expert regarding their independence.*

IRE proposed wording

In the context of the statutory audit, we confirm that we have been independent from the audited entity during both the period covered by the audited financial statements and the period during which the statutory audit was carried out. This assessment of our independence is made in accordance with the applicable provisions of:

- *the Law of 23 July 2016 on the audit profession;*
- *the Regulation 537/2014/EU on specific requirements regarding statutory audit of public-interest entities [if the audited entity is a PIE];*
- *the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF).*



FAQ2018-02 « QUESTIONS / REPOSES » - FREQUENTLY ASK QUESTIONS
(First Council adoption on 18th January 2018,
conforming amendments on 21st January 2021)

Specificity regarding ISAE 3402

The requirement of Article 11 paragraph 2 letter c) does not apply when the statutory auditor of a PIE uses an ISAE 3402 report prepared by another audit firm that is not a member of the same network. Indeed, ISA requires that the statutory auditor of ISAE 3402 report should be independent from the service provider subject to the ISAE 3402 but not necessarily from the users of the service provider. The statutory auditor of a PIE doesn't need to obtain an independence confirmation from the auditor who prepared the ISAE 3402 report.

Q4.3. Nature, frequency and extent of communication (Art. 11 par. 2(d))

The additional report to the audit committee shall describe the nature, frequency and subjects of communication with the audit committee or the body performing equivalent functions within the audited entity, the management body and the administrative or supervisory body of the audited entity, including the dates of meetings with those bodies.

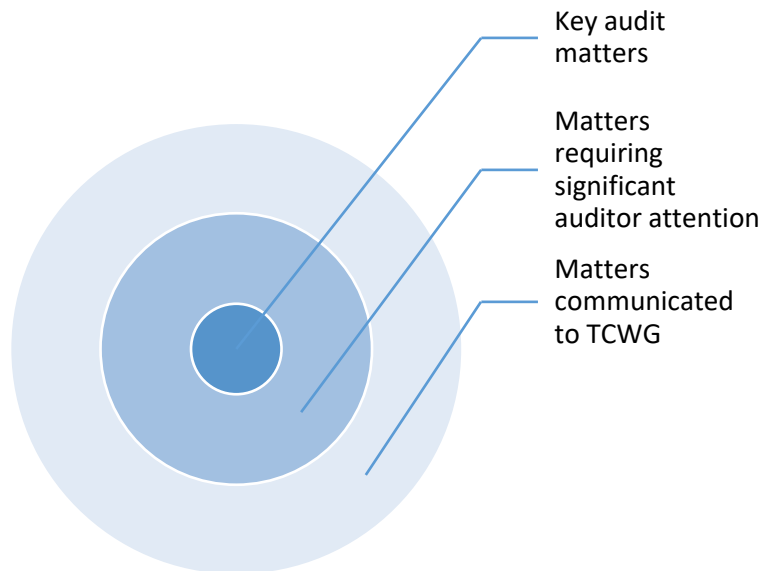
IRE proposed wording

Communication with the Company's management, the audit committee (or, alternatively, with the Board of Directors acting as audit committee) and the Board of Directors can be summarised as follows:

<i>Nature or form of communication</i>	<i>Date</i>	<i>Participants</i>	<i>Subjects of communication</i>	<i>Reference material</i>

Q4.4. Description of the scope and timing of the audit (Art. 11 par. 2(e))

The additional report to the audit committee shall include a description of the scope and timing of the audit.



IRE understands that "scope of the audit" means:

- significant risks identified by the auditor, including the risk of management override of controls (ISA 260.15);
- how the auditor has planned to use the work of the internal audit function (ISA 610.20);
- the nature and extent of specialized skill or knowledge needed to perform the planned audit procedures or evaluate the audit results, including the use of an auditor's expert (ISA 260.A13);
- the auditor's views about matters that were areas of significant auditor attention in the audit and about key audit matters (ISA 260.A13);
- in the case of a statutory audit of consolidated financial statements, the scope of consolidation and the exclusion criteria applied by the audited entity to the non-consolidated entities (Art. 11 par 2 (m)).

Q4.5. Distribution of roles when several audit firms (Art. 11 par. 2(f))

Where more than one approved statutory auditor or approved audit firm have been appointed, the report shall describe the distribution of tasks among the approved statutory auditors and/or the approved audit firms.

Q4.6. Methodology used (Art. 11 par. 2(g))

The additional report to the audit committee shall describe the methodology used, including which categories of the balance sheet have been directly verified and which categories have been verified based on system and compliance testing, including an explanation of any substantial variation in the weighting of system and compliance testing when compared to the previous year, even if the previous year's statutory audit was carried out by other approved statutory auditor(s) or approved audit firm(s).



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If the statutory audit is a first-year audit, the approved statutory auditor will need to have access to prior year additional report to the audit committee in order to address this requirement.

IRE observes that the requirement pertains to balance sheet captions only. As ISA 330.18 requires substantive procedures to be performed for each material class of transactions, account balance, and disclosure, irrespective of the assessed risks of material misstatement, the report shall discuss, as a minimum, material balance sheet captions.

IRE also draws attention to the following ISA requirements:

- If the approved statutory auditor has determined that a significant risk exists, the approved statutory auditor shall obtain an understanding of the entity's controls, including control activities, relevant to that risk (ISA 315 par. 29);
- If the approved statutory auditor plans to rely on controls over a risk the approved statutory auditor has determined to be a significant risk, the approved statutory auditor shall test those controls in the current period (ISA 330 par. 15) or rely on a control report prepared under an appropriate standard such as ISAE 3402 and with an appropriate coverage period;
- If the approved statutory auditor has determined that an assessed risk of material misstatement at the assertion level is a significant risk, the approved statutory auditor shall perform substantive procedures that are specifically responsive to that risk. When the approach to a significant risk consists only of substantive procedures, those procedures shall include tests of details (ISA 330 par. 21).

In case of a group audit, the approved statutory auditor may use the report prepared at component level (if the component is a PIE) or other communications to TCWG made by the component statutory auditor. The approved statutory auditor may consider collecting relevant information and ask for them in the group audit instructions.

IRE is of the view that the approved statutory auditor is not required to give a breakdown by component of the audit approach for a given balance sheet caption of group financial statements unless there is a compelling reason, such as the acquisition of a component with dissimilar information technology systems and/or internal control environment.

IRE proposed wording

The methodology used for balance sheet captions listed below can be summarised as follows:

Material balance sheet caption	Assertion	Significant risk (Y/N)	Substantive approach / Controls approach / Combined approach (*)	Substantial change in the approach compared to previous year
B/S caption # 1	Completeness Existence Valuation Allocation Rights Obligations ...			

(*) As a minimum, IRE suggests choosing one out of the three options. However, the approved statutory auditor may decide to provide more details on the audit approach.

Q4.7. Materiality (Art. 11 par. 2(h))

The additional report to the audit committee shall disclose the quantitative level of materiality applied to perform the statutory audit for the financial statements as a whole and where applicable the materiality level or levels for particular classes of transactions, account balances or disclosures, and disclose the qualitative factors which were considered when setting the level of materiality.

IRE proposed wording

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.

The determination of materiality is a matter of professional judgment and is affected by the approved statutory auditor's perception of the financial information needs of users of the financial statements. The quantitative level of materiality applied to perform the statutory audit for the financial statements as a whole is [currency & amount]."

*Qualitative factors which were considered when setting the level of materiality are as follows:
 ...*

There is no specific materiality level or levels for particular classes of transactions, account balances or disclosures.

Q4.8. Going concern (Art. 11 par. 2(i))

The additional report to the audit committee shall report and explain judgments about events or conditions identified in the course of the audit that may cast significant doubt on the entity's ability to continue as a going concern and whether they constitute a material uncertainty, and provide a summary of all guarantees, comfort letters, undertakings of public intervention and other support measures that have been taken into account when making a going concern assessment.

In connection with going concern considerations, the approved statutory auditor shall consider referring to other sections of the report and addressing legal and regulatory requirements (e.g. Article 100 of the amended law of 10th August 1915 on commercial companies ("LSC"), minimum capital requirements for regulated entities, etc.).

IRE proposed wording where no events or conditions are identified

We have evaluated management's assessment of the Company's ability to continue as a going concern and have inquired of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the Company's ability to continue as a going concern. As a result, we have not identified any events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Q4.9. Control deficiencies (Art. 11 par. 2(j))

The additional report to the audit committee shall report on any significant deficiencies in the audited entity's or, in the case of consolidated financial statements, the parent undertaking's internal financial control system, and/or in the accounting system. For each such significant deficiency, the additional report to the audit committee shall state whether or not the deficiency in question has been resolved by the management. The approved statutory auditor can address this requirement using a schedule or, alternatively, use a narrative form.

IRE proposed wording

We have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. A deficiency in internal control exists when:

- (i) a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis; or*
- (ii) a control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.*

A significant deficiency in internal control is a deficiency or combination of deficiencies in internal control that, in the approved statutory auditor's professional judgment, is of sufficient importance to merit the attention of the audit committee.



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 (First Council adoption on 18th January 2018,
 conforming amendments on 21st January 2021)

Significant deficiencies in internal control that were observed during the audit are as follows:

Observation	Impact	Resolution by Management

Q4.10. NOCLAR (Art. 11 par. 2(k))

The additional report to the audit committee shall report any significant matters involving actual or suspected non-compliance with laws and regulations or Articles of association which were identified in the course of the audit, in so far as they are considered to be relevant in order to enable the audit committee to fulfil its tasks. IRE’s view is that the scope of this requirement includes:

- the responsibility of the approved statutory auditor as described in ISA 250.13 and .14, and
- the Luxembourg legal and regulatory requirements applicable to the approved statutory auditor (e.g. long form report, special report, mandatory communications to the CSSF/CAA, Art. 100 LSC, etc.).

IRE proposed wording

“In accordance with ISA 250 and section 360 of the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code, 2018 edition) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier”, we are responsible for:

- *Identifying material misstatements of the financial statements due to non-compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts or disclosures in the financial statement [ISA 250.13];*
- *In regard to other laws and regulations:*
 - *Performing audit procedures to help identify instances of non-compliance with those other laws and regulations that may have a material effect on the financial statements, such as inquiries and inspection of correspondence [ISA 250.14]; and*
 - *Responding appropriately if we encounter or if we are made aware of non-compliance or suspected non-compliance with laws and regulations which may be fundamental to the operating aspects of the business, the ability to continue the business, or to avoid material penalties [section 360 IESBA Code].*

However, the approved statutory auditor is not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

The approved statutory auditor is also responsible for reporting certain instances of non-compliance with laws and regulations as required by Luxembourg legal and regulatory requirements applicable to the Company.

No significant matters involving actual or suspected non-compliance with laws and regulations or Articles of association were identified during the audit.

Q4.11. Valuation methods (Art. 11 par. 2(l))

The additional report to the audit committee shall describe and assess the valuation methods applied to the various items in the annual or consolidated financial statements including any impact of changes of such methods.

IRE proposed wording

We list and assess below valuation methods disclosed in the notes to the (consolidated) financial statements for which assumptions and estimation uncertainties have a significant risk of resulting in a material adjustment in the year ending [date]:

<i>F/S caption</i>	<i>Description of valuation method</i>	<i>Note ref.</i>	<i>Change in the valuation method compared to previous year, incl. impact</i>	<i>Assessment</i>

Q4.12. Scope of consolidation (Art. 11 par. 2(m))

In the case of a statutory audit of consolidated financial statements, the additional report to the audit committee shall explain the scope of consolidation and the exclusion criteria applied by the audited entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the financial reporting framework. A reference to the notes of the consolidated accounts can be helpful in understanding the scope of consolidation.

IRE proposed wording

The approved statutory auditor may present the scope of consolidation in a schedule as follows:

<i>Component description</i>	<i>% of ownership</i>	<i>Method of consolidation (year N)</i>	<i>Method of consolidation (year N-1)</i>	<i>Assessment of exclusion criteria, if any</i>

Q4.13. Work performed by others (Art. 11 par. 2(n))

Where applicable, the additional report to the audit committee shall identify any audit work performed by audit firm(s), third-country auditor(s), statutory auditor(s) or third-country audit entity(ies), within the meaning of Article 1 points (3), (7), (9) and (19) of the Audit law, in relation to a statutory audit of consolidated financial statements other than by members of the same audit network as to which the approved statutory auditor of the consolidated financial statements belongs.

The approved statutory auditor can present statutory auditors (within the meaning of Article 1 point (9) of the Audit law) and third-country auditors (within the meaning of Article 1 point (7) of the Audit law) that do not belong to the network of the approved statutory auditor in a schedule.

IRE proposed wording

While performing our audit, we have used audit work performed by audit firm(s) or third-country audit entity(ies) within the meaning of Article 1 points (3) and (19) of the law of 23th July 2016 on the audit profession as follows:

<i>Component</i>	<i>Name of statutory auditor</i>	<i>Network</i>
<i>Component</i>	<i>Name of third country auditor</i>	<i>Network</i>

Q4.14. Audit status, scope limitations (Art. 11 par. 2(o))

The additional report to the audit committee shall indicate whether all requested explanations and documents were provided by the audited entity.

IRE proposed wording

Our audit is substantially complete, provided that the outstanding matters as follows are satisfactorily resolved:

...

Q4.15. Significant difficulties / matters (Art. 11 par. 2(p))

Article 11 paragraph 2 letter p) of the Regulation states that:

The additional report to the audit committee shall at least: [...]

(p) report:

- (i) any significant difficulties encountered in the course of the statutory audit;*
- (ii) any significant matters arising from the statutory audit that were discussed or were the subject of correspondence with management; and*
- (iii) any other matters arising from the statutory audit that in the auditor's professional judgement, are significant to the oversight of the financial reporting process.*

Significant difficulties encountered during the audit may include such matters as:

- significant delays by management, the unavailability of entity personnel, or an unwillingness by management to provide information necessary for the approved statutory auditor to perform the approved statutory auditor's procedures;
- an unreasonably brief time within which to complete the audit;
- extensive unexpected effort required to obtain sufficient appropriate audit evidence;
- the unavailability of expected information;
- restrictions imposed on the approved statutory auditor by management;
- management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested.



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IRE proposed wording

We have not met significant difficulties while performing our statutory audit. Significant matters discussed, or subject to correspondence with management, include such matters as:

- *significant events or transactions that occurred during the year;*
- *business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement;*
- *concerns about management's consultations with other accountants on accounting or auditing matters;*
- *discussions or correspondence in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services;*
- *significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information.*

and / or

There were no significant matters, other than those subject to communication with those charged with governance, arising during the audit that were discussed, or subject to correspondence, with management.

and / or

There were no other matters arising from the statutory audit that in our professional judgment, are significant to the oversight of the financial reporting process.

Q5. Other considerations

Q5.1. May the additional report to the audit committee be combined for stand-alone and group audit purposes?

IRE's view is that the additional report to the audit committee may be combined into a single document for stand-alone and group audit purposes provided that such single report meets the requirements of Article 11 of the Regulation for each statutory audit.

Q5.2. Is there a prescribed format for the additional report to the audit committee?

IRE's view is that there is no prescribed form for the additional report to the audit committee. In practice, the report may take the form of a word document, dated and signed by the approved statutory auditor, or a slide deck with a cover page dated and signed by the approved statutory auditor.

Q5.3. Who are the addressees of the additional report to the audit committee?

The additional report shall be addressed to the audit committee. If the functions of the audit committee are ensured by a body performing equivalent functions within the PIE, in accordance with Art 52 (2) of the Audit law, the additional report should be addressed to this body. The report may therefore be addressed to the Board of Directors if the Board of Directors is responsible for the tasks assigned to the audit committee.



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The approved statutory auditor shall also submit the additional report to the CSSF department overseeing the audit profession should the latter request it. The audited entity shall also submit the additional report to the competent authority of the audited entity such as the "Commission de Surveillance du Secteur Financier" or the "Commissariat aux Assurances" should they request it.

Q5.4. Shall the additional report to the audit committee includes a restriction on use and distribution?

IRE's view is that the additional report to the audit committee shall include a restriction on use and distribution or a confidential watermark.

IRE proposed wording

This report has been prepared exclusively for the use of the entity's Audit Committee and its Board of Directors [and Supervisory Board] as well as for the use, upon request, of the "Commission de Surveillance du Secteur Financier" [or the "Commissariat aux Assurances"]. Accordingly, it is not to be reproduced in whole or in part or relied upon by any other person or for any other purpose without our prior written authorization.

End