

**Ready Referencer on  
Engagement and Quality Control Standards  
(As on December 1, 2019)**



**Auditing and Assurance Standards Board  
The Institute of Chartered Accountants of India  
(Set up by an Act of Parliament)  
New Delhi**

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DISCLAIMER: This publication has been prepared to provide a bird's eye view of Engagement and Quality Control Standards and not a substitute to the complete text of Engagement and Quality Control Standards. Every effort is made to avoid errors or omissions in this publication, errors or mistakes, if any, are unintentional. In case of any divergence between the material of this publication and the text of Engagement and Quality Control Standards, the later should be considered as the authoritative version.

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## Foreword

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Engagement and Quality Control Standards are performance benchmarks for the members while conducting auditing, review, assurance and related services engagements. The members need implementation support from the Institute of Chartered Accountants of India (ICAI) so that these standards can be implemented by them in letter and spirit in their engagements. The Auditing and Assurance Standards Board of ICAI has been helping the members on this front by taking various steps like organizing regular training programmes on standards, issuing implementation guides on standards and issuing non-authoritative literature on standards.

In the learning and knowledge dissemination process, the Auditing and Assurance Standards Board (AASB) of ICAI has come out with this “*Ready Referencer on Engagement and Quality Control Standards*”. The objective of the Referencer is to provide basic understanding of Engagement and Quality Control Standards to the members and other interested readers. I congratulate the AASB in taking the initiative of publishing this Ready Referencer for the benefit of the members at large. The Referencer provides a bird’s eye view of all the Engagement and Quality Control Standards issued by ICAI till date.

I compliment CA. G. Sekar, Chairman, CA. Debashis Mitra, Vice-Chairman and all members of the Auditing and Assurance Standards Board for bringing out this publication for the benefit of the stakeholders at large.

I am sure that the members and other interested readers would find this publication immensely useful.

December 11, 2019  
New Delhi

**CA. Prafulla P. Chhajed**  
President, ICAI



## Preface

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The Engagement and Quality Control Standards applicable in India are based on the globally recognized and accepted International Standards issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants and represent the global best practices in performance of auditing, review and assurance engagements. The Auditing and Assurance Standards Board (AASB) of ICAI has been taking numerous initiatives in order to educate the members for effective implementation of these standards. These initiatives include organizing regular training programmes on standards, issuing implementation guides on standards, running e-learning course on standards, issuing non-authoritative literature on standards such as Background Material.

The AASB feels happy to publish this “Ready Referencer on Engagement and Quality Control Standards” which covers all the 46 Engagement and Quality Control Standards issued till date. The Referencer explains the important principles, as enunciated, in various standards in a summarized, simplified and lucid manner. Readers may also be cautioned that the Referencer is not the substitute of complete text of the standards and the complete text of the standards should always be referred for comprehensive knowledge on the subject.

I wish to place on record high appreciation of CA. Debashis Mitra, Vice-Chairman of the Board for his whole-hearted effective co-ordination and contribution in publishing this material and in various activities of the Board. I wish to express my sincere thanks to CA. Prafulla Premasukh Chhajed, Honourable President, ICAI and CA. Atul Kumar Gupta, Honourable Vice-President, ICAI for their guidance and support to the activities of the Board.

I also wish to place on record my sincere thanks to all the Board Members for their suggestions, support and guidance in finalising various pronouncements of the Board. I sincerely appreciate the efforts made by CA. Megha Saxena, Secretary, AASB, CA. Rajnish Aggarwal, Assistant Director and other staff of AASB in preparing the draft of this publication.

I am confident that the readers would find this publication very useful.

December 11, 2019  
Chennai

**CA. G. Sekar**  
Chairman,  
Auditing and Assurance Standards Board



## Contents

S.No.	Engagement and Quality Control Standards	Page No.
1.	SQC 1 - Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements	1
2.	SA 200 - Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing	10
3.	SA 210 - Agreeing the Terms of Audit Engagements	14
4.	SA 220 - Quality Control for an Audit of Financial Statements	17
5.	SA 230 - Audit Documentation	21
6.	SA 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	24
7.	SA 250 - Consideration of Laws and Regulations in an Audit of Financial Statements	30
8.	SA 260(Revised) - Communication with Those Charged with Governance	34
9.	SA 265 - Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	38
10.	SA 299(Revised) - Joint Audit of Financial Statements	40
11.	SA 300 - Planning an Audit of Financial Statements	43
12.	SA 315 - Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment	45
13.	SA 320 - Materiality in Planning and Performing an Audit	51
14.	SA 330 - The Auditor's Responses to Assessed Risks	53
15.	SA 402 - Audit Considerations Relating to an Entity Using a Service Organisation	58
16.	SA 450 - Evaluation of Misstatements Identified During the Audit	63
17.	SA 500 - Audit Evidence	65
18.	SA 501 - Audit Evidence—Specific Considerations for Selected Items	67
19.	SA 505 - External Confirmations	70
20.	SA 510 - Initial Audit Engagements – Opening Balances	73
21.	SA 520 - Analytical Procedures	75
22.	SA 530 - Audit Sampling	77
23.	SA 540 - Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures	79
24.	SA 550 - Related Parties	83
25.	SA 560 - Subsequent Events	88
26.	SA 570(Revised) - Going Concern	92
27.	SA 580 - Written Representations	97

28.	SA 600 - Using the Work of Another Auditor	100
29.	SA 610(Revised) - Using the Work of Internal Auditors	103
30.	SA 620 - Using the Work of an Auditor's Expert	108
31.	SA 700(Revised) - Forming an Opinion and Reporting on Financial Statements	111
32.	SA 701 - Communicating Key Audit Matters in the Independent Auditor's Report	121
33.	SA 705(Revised) - Modifications to the Opinion in the Independent Auditor's Report	124
34.	SA 706(Revised) - Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	129
35.	SA 710 - Comparative Information—Corresponding Figures and Comparative Financial Statements	131
36.	SA 720(Revised) - The Auditor's Responsibilities Relating to Other Information	135
37.	SA 800 - Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks	139
38.	SA 805 - Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	141
39.	SA 810 - Engagements to Report on Summary Financial Statements	144
40.	SRE 2400(Revised) - Engagements to Review Historical Financial Statements	149
41.	SRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity	158
42.	SAE 3400 - The Examination of Prospective Financial Information	164
43.	SAE 3402 - Assurance Reports on Controls at A Service Organisation	169
44.	SAE 3420 - Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus	178
45.	SRS 4400 - Engagements to Perform Agreed-Upon Procedures Regarding Financial Information	185
46.	SRS 4410(Revised) - Compilation Engagements	188
Appendix 1: List of Abbreviations		193
Appendix 2: List of Engagement and Quality Control Standards as on December 1, 2019		195



# Standard on Quality Control (SQC) 1 - Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements

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## Introduction

The purpose of this SQC is to establish standards and provide guidance regarding a firm's responsibilities for its system of quality control (QC) for audits and reviews of historical FI, and for other assurance and related services engagements. This SQC is to be read in conjunction with the requirements of the Chartered Accountants Act, 1949, the Code of Ethics and other relevant pronouncements of the Institute (hereinafter referred to as "the Code").

Additional standards and guidance on the responsibilities of firm personnel regarding QC procedures for specific types of engagements are set out in other pronouncements of the Auditing and Assurance Standards Board (AASB) issued under the authority of the Council. For example, SA 220 establishes standards and provides guidance on quality control procedures for audits of historical FI.

The firm should establish a system of QC designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm or EP(s) are appropriate in the circumstances.

A system of QC consists of policies designed to achieve the objectives set out in paragraph above and the procedures necessary to implement and monitor compliance with those policies.

This SQC applies to all firms. The nature of the policies and procedures developed by individual firms to comply with this SQC will depend on various factors such as the size and operating characteristics of the firm, and whether it is part of a network.

## Key Definitions

- **Engagement partner(EP)** – the partner or other person in the firm who is a member of the ICAI and is in full time practice and is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
- **Engagement quality control review** – a process designed to provide an objective evaluation, before the report is issued, of the significant judgments the ET made and the conclusions they reached in formulating the report.
- **Engagement quality control reviewer** – a partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, with sufficient and appropriate experience and authority to objectively evaluate, before the report is issued, the significant judgments the ET made and the conclusions they reached in formulating the report. However, in case the review is done by a team of individuals, such team should be headed by a member of the Institute.
- **Engagement Team(ET)** – all personnel performing an engagement, including any experts contracted by the firm in connection with that engagement. The term "ET" excludes individuals within the client's internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of SA 610 (Revised).

## Ready Referencer on Engagement and Quality Control Standards

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- **Firm** – a sole practitioner/proprietor, partnership, or any such entity of professional accountants, as may be permitted by law.
- **Network firm**– A firm or entity that belongs to a network.
- **Network** – A larger structure:
  - That is aimed at cooperation, and
  - That is clearly aimed at profit or cost-sharing or shares common ownership, control or mgt, common QC policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.
- **Partner** – any individual with authority to bind the firm with respect to the performance of a professional services engagement.
- **Personnel** – partners and staff.
- **Professional standards** – engagement standards, as defined in the AASB’s “Preface to the Standards on Quality Control, Auditing, Review, Other Assurance and Related Services,” and relevant ethical requirements as contained in the Code.
- **Staff** – professionals, other than partners, including any experts which the firm employs.
- **Suitably qualified external person** – an individual outside the firm with the capabilities and competence to act as an EP, for example a partner or an employee (with appropriate experience) of another firm. (Note: Such employee should be a member of ICAI)

### Elements of a System of Quality Control

The firm’s system of QC should include policies and procedures addressing each of the following elements:

- Leadership responsibilities for quality within the firm.
- Ethical requirements.
- Acceptance and continuance of client relationships and specific engagements.
- Human resources.
- Engagement performance.
- Monitoring.

The QC policies and procedures should be documented and communicated to the firm’s personnel.

### Leadership Responsibilities for Quality within the Firm

The firm should establish policies and procedures designed to promote an internal culture based on the recognition that quality is essential in performing engagements. Such policies and procedures should require the firm’s chief executive officer (or equivalent) or, if appropriate, the firm’s managing partners (or equivalent), to assume ultimate responsibility for the firm’s system of QC.

Any person or persons assigned operational responsibility for the firm’s QC system by the firm’s chief executive officer or managing board of partners should have sufficient and appropriate experience and ability, and the necessary authority, to assume that responsibility.

## **Ethical Requirements**

The firm should establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements.

Ethical requirements relating to audits and reviews of historical FI, and other assurance and related services engagements are contained in the Code. The Code establishes the fundamental principles of professional ethics, which include:

- Integrity;
- Objectivity;
- Professional competence and due care;
- Confidentiality; and
- Professional behavior.

The Code includes a conceptual approach to independence for assurance engagements, including aspects such as threats to independence, accepted safeguards and the public interest.

The firm's policies and procedures should emphasize the fundamental principles, which are reinforced in particular by (a) the leadership of the firm, (b) education and training, (c) monitoring, and (d) a process for dealing with non-compliance.

## **Independence**

The firm should establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (including experts contracted by the firm and network firm personnel), maintain independence where required by the Code. Such policies and procedures should enable the firm to:

- Communicate its independence requirements to its personnel and, where applicable, to others subject to them; and
- Identify and evaluate circumstances and relationships that create threats to independence, and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the engagement.

Such policies and procedures should require:

- EP to provide the firm with relevant information about client engagements, including the scope of services, to enable the firm to evaluate the overall impact, if any, on independence requirements;
- Personnel to promptly notify the firm of circumstances and relationships that create a threat to independence so that appropriate action can be taken; and
- The accumulation and communication of relevant information to appropriate personnel so that:
  - The firm and its personnel can readily determine whether they satisfy independence requirements;
  - The firm can maintain and update its records relating to independence; and

## **Ready Referencer on Engagement and Quality Control Standards**

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- The firm can take appropriate action regarding identified threats to independence.

The firm should establish policies and procedures designed to provide it with reasonable assurance that it is notified of breaches of independence requirements, and to enable it to take appropriate actions to resolve such situations. The policies and procedures should include requirements for:

- All who are subject to independence requirements to promptly notify the firm of independence breaches of which they become aware;
- The firm to promptly communicate identified breaches of these policies and procedures to:
  - The EP who, with the firm, needs to address the breach; and
  - Other relevant personnel in the firm and those subject to the independence requirements who need to take appropriate action; and
- Prompt communication to the firm, if necessary, by the EP and the other individuals referred to in paragraph above of the actions taken to resolve the matter, so that the firm can determine whether it should take further action.

Comprehensive guidance on threats to independence and safeguards, including application to specific situations are contained in the Code.

At least annually, the firm should obtain written confirmation of compliance with its policies and procedures on independence from all firm personnel required to be independent in terms of the requirements of the Code.

The Code discusses the familiarity threat that may be created by using the same senior personnel on an assurance engagement over a long period of time and the safeguards that might be appropriate to address such a threat. Accordingly, the firm should establish policies and procedures:

- Setting out criteria for determining the need for safeguards to reduce the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time; and
- For all audits of FS of listed entities, requiring the rotation of the EP after a specified period in compliance with the Code.

The familiarity threat is particularly relevant in the context of FS audits of listed entities. For these audits, the EP should be rotated after a pre-defined period, normally not more than seven years.

## **Acceptance and Continuance of Client Relationships and Specific Engagements**

The firm should establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide it with reasonable assurance that it will undertake or continue relationships and engagements only where it:

- Has considered the integrity of the client and does not have information that would lead it to conclude that the client lacks integrity;
- Is competent to perform the engagement and has the capabilities, time and resources to do so; and
- Can comply with the ethical requirements.

## **Ready Referencer on Engagement and Quality Control Standards**

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The firm should obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client. Where issues have been identified, and the firm decides to accept or continue the client relationship or a specific engagement, it should document how the issues were resolved.

Where the firm obtains information that would have caused it to decline an engagement if that information had been available earlier, policies and procedures on the continuance of the engagement and the client relationship should include consideration of:

- The professional and legal responsibilities that apply to the circumstances, including whether there is a requirement for the firm to report to the person or persons who made the appointment or, in some cases, to regulatory authorities; and
- The possibility of withdrawing from the engagement or from both the engagement and the client relationship.

### **Human Resources**

The firm should establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and regulatory and legal requirements, and to enable the firm or EP to issue reports that are appropriate in the circumstances.

### **Assignment of Engagement Teams**

The firm should assign responsibility for each engagement to an EP. The firm should establish policies and procedures requiring that:

- The identity and role of the EP are communicated to key members of the client's mgt and TCWG;
- The EP has the appropriate capabilities, competence, authority and time to perform the role; and
- The responsibilities of the EP are clearly defined and communicated to that partner.

The firm should also assign appropriate staff with the necessary capabilities, competence and time to perform engagements in accordance with professional standards and regulatory and legal requirements, and to enable the firm or EP to issue reports that are appropriate in the circumstances.

### **Engagement Performance**

The firm should establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and regulatory and legal requirements, and that the firm or the EP issues reports that are appropriate in the circumstances.

### **Consultation**

The firm should establish policies and procedures designed to provide it with reasonable assurance that:

- Appropriate consultation takes place on difficult or contentious matters;
- Sufficient resources are available to enable appropriate consultation to take place;

## **Ready Referencer on Engagement and Quality Control Standards**

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- The nature and scope of such consultations are documented; and
- Conclusions resulting from consultations are documented and implemented.

Consultation includes discussion, at the appropriate professional level, with individuals within or outside the firm who have specialized expertise, to resolve a difficult or contentious matter.

### **Differences of Opinion**

The firm should establish policies and procedures for dealing with and resolving differences of opinion within the ET, with those consulted and, where applicable, between the EP and the EQC reviewer. Conclusions reached should be documented and implemented.

The report should not be issued until the matter is resolved.

### **EQC Review**

The firm should establish policies and procedures requiring, for appropriate engagements, an EQC review that provides an objective evaluation of the significant judgments made by the ET and the conclusions reached in formulating the report. Such policies and procedures should:

- Require an EQC review for all audits of FS of listed entities;
- Set out criteria against which all other audits and reviews of historical FI, and other assurance and related services engagements should be evaluated to determine whether an EQC review should be performed; and
- Require an EQC review for all engagements meeting the criteria established in compliance with sub-point above.

The firm's policies and procedures should require the completion of the EQC review before the report is issued.

Criteria that a firm considers when determining which engagements other than audits of FS of listed entities are to be subject to an EQC review include the following:

- The nature of the engagement, including the extent to which it involves a matter of public interest.
- The identification of unusual circumstances or risks in an engagement or class of engagements.
- Whether L&R require an EQC review.

The firm should establish policies and procedures setting out:

- The nature, timing and extent of an EQC review;
- Criteria for the eligibility of EQC reviewers; and
- Documentation requirements for an EQC review.

### **Criteria for the Eligibility of EQC Reviewers**

The firm's policies and procedures should address the appointment of EQC reviewers and establish their eligibility through:

- The technical qualifications required to perform the role, including the necessary experience and authority; and
- The degree to which an EQC reviewer can be consulted on the engagement without compromising the reviewer's objectivity.

### ***Documentation of the EQC Review***

Policies and procedures on documentation of the EQC review should require documentation that:

- The procedures required by the firm's policies on EQC review have been performed;
- The EQC review has been completed before the report is issued; and
- The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the ET made and the conclusions they reached were not appropriate.

### **Engagement Documentation**

#### ***Completion of the Assembly of Final Engagement Files***

The firm should establish policies and procedures for ETs to complete the assembly of final engagement files on a timely basis after the engagement reports have been finalized.

L&R may prescribe the time limits by which the assembly of final engagement files for specific types of engagement should be completed. Where no such time limits are prescribed in L&R, the firm establishes time limits appropriate to the nature of the engagements that reflect the need to complete the assembly of final engagement files on a timely basis. In the case of an audit, for example, such a time limit is ordinarily not more than 60 days after the date of the auditor's report.

#### ***Confidentiality, Safe Custody, Integrity, Accessibility and Retrievability of Engagement Documentation***

The firm should establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation.

Relevant ethical requirements establish an obligation for the firm's personnel to observe at all times the confidentiality of information contained in engagement documentation, unless specific client authority has been given to disclose information, or there is a legal or professional duty to do so. Specific L&R may impose additional obligations on the firm's personnel to maintain client confidentiality, particularly where data of a personal nature are concerned.

#### ***Retention of Engagement Documentation***

The firm should establish policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm or as required by L&R.

The needs of the firm for retention of engagement documentation, and the period of such retention, will vary with the nature of the engagement and the firm's circumstances, for example, whether the engagement documentation is needed to provide a record of matters of continuing significance to future engagements. The retention period may also depend on other factors, such as whether local L&R prescribes specific retention periods for certain types of engagements, or whether there are generally accepted retention periods in the jurisdiction in the absence of specific legal or regulatory requirements. In the specific case of audit engagements, the retention period ordinarily is no shorter than seven years from the date of the AR, or, if later, the date of the group AR.

#### ***Ownership of Engagement Documentation***

Unless otherwise specified by L&R, engagement documentation is the property of the firm. The

## **Ready Referencer on Engagement and Quality Control Standards**

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firm may, at its discretion, make portions of, or extracts from, engagement documentation available to clients, provided such disclosure does not undermine the validity of the work performed, or, in the case of assurance engagements, the independence of the firm or its personnel.

### **Monitoring**

The firm should establish policies and procedures designed to provide it with reasonable assurance that the policies and procedures relating to the system of QC are relevant, adequate, operating effectively and complied with in practice. Such policies and procedures should include an ongoing consideration and evaluation of the firm's system of QC, including a periodic inspection of a selection of completed engagements.

The purpose of monitoring compliance with QC policies and procedures is to provide an evaluation of:

- Adherence to professional standards and regulatory and legal requirements;
- Whether the QC system has been appropriately designed and effectively implemented; and
- Whether the firm's QC policies and procedures have been appropriately applied, so that reports that are issued by the firm or EP are appropriate in the circumstances.

The firm should evaluate the effect of deficiencies noted as a result of the monitoring process and should determine whether they are either:

- Instances that do not necessarily indicate that the firm's system of QC is insufficient to provide it with reasonable assurance that it complies with professional standards and regulatory and legal requirements, and that the reports issued by the firm or EPs are appropriate in the circumstances; or
- Systemic, repetitive or other significant deficiencies that require prompt corrective action.

The firm should communicate to relevant EPs and other appropriate personnel deficiencies noted as a result of the monitoring process and recommendations for appropriate remedial action.

The firm's evaluation of each type of deficiency should result in recommendations for one or more of the following:

- Taking appropriate remedial action in relation to an individual engagement or member of personnel;
- The communication of the findings to those responsible for training and professional development;
- Changes to the QC policies and procedures; and
- Disciplinary action against those who fail to comply with the policies and procedures of the firm, especially those who do so repeatedly.

Where the results of the monitoring procedures indicate that a report may be inappropriate or that procedures were omitted during the performance of the engagement, the firm should determine what further action is appropriate to comply with relevant professional standards and regulatory and legal requirements. It should also consider obtaining legal advice.

At least annually, the firm should communicate the results of the monitoring of its QC system to EPs and other appropriate individuals within the firm, including the firm's chief executive officer or, if appropriate, its managing partner(s). Such communication should enable the firm and



## **Ready Referencer on Engagement and Quality Control Standards**

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these individuals to take prompt and appropriate action where necessary in accordance with their defined roles and responsibilities. Information communicated should include the following:

- A description of the monitoring procedures performed.
- The conclusions drawn from the monitoring procedures.
- Where relevant, a description of systemic, repetitive or other significant deficiencies and of the actions taken to resolve or amend those deficiencies.

### **Complaints and Allegations**

The firm should establish policies and procedures designed to provide it with reasonable assurance that it deals appropriately with:

- Complaints and allegations that the work performed by the firm fails to comply with professional standards and regulatory and legal requirements; and
- Allegations of non-compliance with the firm's system of QC.

### **Documentation**

The firm should establish policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of QC.

Factors to consider when determining the form and content of documentation evidencing the operation of each of the elements of the system of QC include the following:

- The size of the firm and the number of offices.
- The degree of authority both personnel and offices have.
- The nature and complexity of the firm's practice and organization.

The firm retains this documentation for a period of time sufficient to permit those performing monitoring procedures to evaluate the firm's compliance with its system of QC, or for a longer period if required by L&R.

## **SA 200 - Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing**

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### **Scope of this SA**

This SA establishes the independent auditor's overall responsibilities when conducting an audit of FS in accordance with SAs. Specifically, it sets out the overall objectives of the independent auditor, and explains the nature and scope of an audit designed to enable the independent auditor to meet those objectives. It also explains the scope, authority and structure of the SAs, and sets out general responsibilities of the independent auditor applicable in all audits, including the obligation to comply with the SAs.

### **An Audit of Financial Statements**

The purpose of an audit is to enhance the degree of confidence of intended users in the FS. This is achieved by the expression of an opinion by the auditor on whether the FS are prepared, in all material respects, in accordance with an applicable FRF. In the case of most GPF, that opinion is on whether the FS are presented fairly, in all material respects, or give a true and fair view in accordance with the framework. An audit conducted in accordance with SAs and relevant ethical requirements enables the auditor to form that opinion.

The FS subject to audit are those of the entity, prepared and presented by mgt of the entity with oversight from TCWG. SAs do not impose responsibilities on mgt or TCWG and do not override L&R that govern their responsibilities.

As the basis for the auditor's opinion, SAs require the auditor to obtain reasonable assurance about whether the FS as a whole are free from MM, whether due to fraud or error. Reasonable assurance is a high level of assurance. It is obtained when the auditor has obtained SAAE to reduce audit risk (i.e., the risk that the auditor expresses an inappropriate opinion when the FS are materially misstated) to an acceptably low level. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the AE on which the auditor draws conclusions and bases the auditor's opinion being persuasive rather than conclusive.

The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the FS. In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the FS. Judgments about materiality are made in the light of surrounding circumstances, and are affected by the auditor's perception of the FI needs of users of the FS, and by the size or nature of a misstatement, or a combination of both. The auditor's opinion deals with the FS as a whole and therefore the auditor is not responsible for the detection of misstatements that are not material to the FS as a whole.

The SAs contain objectives, requirements and application and other explanatory material that are designed to support the auditor in obtaining reasonable assurance. The SAs require that the auditor exercise PJ and maintain PS throughout the planning and performance of the audit and, among other things:

## **Ready Referencer on Engagement and Quality Control Standards**

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- Identify and assess ROMM, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal control.
- Obtain SAAE about whether MM exist, through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the FS based on conclusions drawn from the AE obtained.

The form of opinion expressed by the auditor will depend upon the applicable FRF and any applicable L&R.

The auditor may also have certain other communication and reporting responsibilities to users, mgt, TCWG, or parties outside the entity, in relation to matters arising from the audit. These may be established by the SAs or by applicable L&R.

### **Overall Objectives of the Auditor**

In conducting an audit of FS, the overall objectives of the auditor are:

- To obtain reasonable assurance about whether the FS as a whole are free from MM, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the FS are prepared, in all material respects, in accordance with an applicable FRF; and
- To report on the FS, and communicate as required by the SAs, in accordance with the auditor's findings.

In all cases when reasonable assurance cannot be obtained and a qualified opinion in the AR is insufficient in the circumstances for purposes of reporting to the intended users of the FS, the SAs require that the auditor disclaim an opinion or withdraw from the engagement, where withdrawal is legally permitted.

### **Key Definitions**

- **Applicable financial reporting framework** – The FRF adopted by mgt and, where appropriate, TCWG in the preparation and presentation of the FS that is acceptable in view of the nature of the entity and the objective of the FS, or that is required by L&R.

The term “fair presentation framework” is used to refer to a FRF that requires compliance with the requirements of the framework and:

- Acknowledges explicitly or implicitly that, to achieve fair presentation of the FS, it may be necessary for mgt to provide disclosures beyond those specifically required by the framework; or
- Acknowledges explicitly that it may be necessary for mgt to depart from a requirement of the framework to achieve fair presentation of the FS. Such departures are expected to be necessary only in extremely rare circumstances.

The term “compliance framework” is used to refer to a FRF that requires compliance with the requirements of the framework, but does not contain the acknowledgements above.

- **Misstatement** – A difference between the amount, classification, presentation, or disclosure of a reported FS item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable FRF. Misstatements can arise from error or fraud.

When the auditor expresses an opinion on whether the FS are presented fairly, in all material respects, or give a true and fair view, misstatements also include those adjustments

## Ready Referencer on Engagement and Quality Control Standards

of amounts, classifications, presentation, or disclosures that, in the auditor's judgment, are necessary for the FS to be presented fairly, in all material respects, or to give a true and fair view.

- **Professional judgment** – The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.
- **Professional skepticism** – An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of AE.
- **Reasonable assurance** – In the context of an audit of FS, a high, but not absolute, level of assurance.

## Requirements of the Standard

Requirements	Description
<b>Ethical Requirements Relating to an Audit of Financial Statements</b>	The auditor shall comply with relevant ethical requirements, including those pertaining to independence, relating to FS audit engagements.
<b>Professional Skepticism</b>	The auditor shall plan and perform an audit with PS recognising that circumstances may exist that cause the FS to be materially misstated.
<b>Professional Judgment</b>	The auditor shall exercise PJ in planning and performing an audit of FS.
<b>Sufficient Appropriate Audit Evidence and Audit Risk</b>	<p>To obtain reasonable assurance, the auditor shall obtain SAAE to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion.</p> <p>The auditor is not expected to, and cannot, reduce audit risk to zero and cannot therefore obtain absolute assurance that the FS are free from MM due to fraud or error. This is because there are inherent limitations of an audit, which result in most of the AE on which the auditor draws conclusions and bases the auditor's opinion being persuasive rather than conclusive. The inherent limitations of an audit arise from:</p> <ul style="list-style-type: none"> <li>• The nature of financial reporting;</li> <li>• The nature of audit procedures; and</li> <li>• The need for the audit to be conducted within a reasonable period of time and at a reasonable cost.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

<b>Conduct of an Audit in Accordance with SAs</b>	
<b><i>Complying with SAs Relevant to the Audit</i></b>	<p>The auditor shall comply with all SAs relevant to the audit. An SA is relevant to the audit when the SA is in effect and the circumstances addressed by the SA exist.</p> <p>In some cases, an SA may not be relevant in the circumstances. For example, if an entity does not have an internal audit function, nothing in SA 610(Revised) is relevant.</p> <p>The auditor shall have an understanding of the entire text of an SA, including its application and other explanatory material, to understand its objectives and to apply its requirements properly.</p> <p>The auditor shall not represent compliance with SAs in the AR unless the auditor has complied with the requirements of this SA and all other SAs relevant to the audit.</p>
<b><i>Objectives Stated in Individual SAs</i></b>	<p>To achieve the overall objectives of the auditor, the auditor shall use the objectives stated in relevant SAs in planning and performing the audit, having regard to the interrelationships among the SAs, to:</p> <ul style="list-style-type: none"> <li>• Determine whether any audit procedures in addition to those required by the SAs are necessary in pursuance of the objectives stated in the SAs; and</li> <li>• Evaluate whether SAAE has been obtained.</li> </ul>
<b><i>Complying with Relevant Requirements</i></b>	<p>The auditor shall comply with each requirement of an SA unless:</p> <ul style="list-style-type: none"> <li>• The entire SA is not relevant; or</li> <li>• The requirement is not relevant because it is conditional and the condition does not exist.</li> </ul> <p>In exceptional circumstances, where the auditor decides to depart from a relevant requirement then the auditor needs to perform alternative procedures to achieve aim of that requirement.</p>
<b><i>Failure to Achieve an Objective</i></b>	<p>If an objective in a relevant SA cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the SAs, to modify the auditor's opinion or withdraw from the engagement. Failure to achieve an objective represents a significant matter requiring documentation in accordance with SA 230.</p>

## SA 210 - Agreeing the Terms of Audit Engagements

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### Scope of this SA

This SA deals with auditor's responsibilities in agreeing the terms of audit engagement (TOAE) with mgt & TCWG and includes establishing that preconditions for audit are present.

### Objective

The objective of the auditor is to accept/ continue an audit engagement only when the basis upon which it is to be performed has been agreed, through:

- Establishing whether the preconditions for an audit are present; and
- Establish a common understanding between the auditor and mgt and, where appropriate, TCWG of the TOAE.

### Key Definitions

**Preconditions for an audit** – The use by mgt of an acceptable FRF in the preparation of the FS and the agreement of mgt and, where appropriate, TCWG to the premise on which an audit is conducted.

### Requirements of the Standard

Requirements	Description
<b>Preconditions for an Audit</b>	
	<p>To establish whether the preconditions for an audit are present, the auditor shall:</p> <ul style="list-style-type: none"> <li>• Determine whether the FRF to be applied in the preparation of the FS is acceptable; &amp;</li> <li>• Obtain the agreement of mgt that it acknowledges and understands its below-cited responsibilities: <ul style="list-style-type: none"> <li>○ For the preparation of the FS in accordance with the applicable FRF, including where relevant their fair presentation;</li> <li>○ For such internal control as mgt determines is necessary to enable the preparation of FS that are free from MM, whether due to fraud or error; and</li> <li>○ To provide the auditor with access to all relevant information, additional information and unrestricted access to persons within the entity.</li> </ul> </li> </ul> <p>If the above-mentioned preconditions are not present, the auditor shall discuss the matter with mgt. Unless required by L&amp;R to do so, the auditor shall not accept the proposed audit engagement.</p>

**Ready Referencer on Engagement and Quality Control Standards**

<b>Limitation on Scope prior to Audit engagement acceptance</b>	If mgt or TCWG impose scope limitation, such that the auditor believes the limitation will result in the auditor disclaiming an opinion on the FS, the auditor shall not accept such a limited engagement as an audit engagement, unless required by L&R to do so.
<b>Agreement on Audit Engagement Terms</b>	<p>The auditor shall agree the TOAE with mgt or TCWG.</p> <p>The agreed TOAE shall be recorded in an audit engagement letter or other suitable form of written agreement.</p> <p>If L&amp;R prescribes sufficiently the TOAE, the auditor need not record them in a written agreement, except fact that such L&amp;R applies and that mgt acknowledges and understands its responsibilities as cited above.</p>
<b>Recurring Audits</b>	<p>On recurring audits, auditor to assess whether:</p> <ul style="list-style-type: none"> <li>• Circumstances require revision in TOAE, and</li> <li>• Need to remind the entity regarding existing TOAE</li> </ul>
<b>Acceptance of a Change in the Terms of the Audit Engagement</b>	<p>The auditor shall not agree to a change in the TOAE if no reasonable justification for it.</p> <p>If, before completing audit engagement, the auditor is requested to change the audit engagement to an engagement that conveys a lower level of assurance, the auditor shall determine whether there is reasonable justification for it.</p> <p>If the TOAE changed, the auditor and mgt shall agree on new TOAE and record it, in EL or other suitable form of written agreement.</p> <p>If the auditor is unable to agree to change of the TOAE and is not permitted by mgt to continue the original audit engagement, the auditor shall:</p> <ul style="list-style-type: none"> <li>• Withdraw from the audit engagement where possible under applicable L&amp;R; and</li> <li>• Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as TCWG, owners or regulators.</li> </ul>
<b>Additional Considerations in Engagement Acceptance</b>	
<b>Financial Reporting Standards Supplemented by Law or Regulation</b>	<p>The auditor shall determine whether there are any conflicts between the financial reporting standards and the additional requirements prescribed by L&amp;R.</p> <p>If such conflicts exist,</p> <ul style="list-style-type: none"> <li>• Discuss with mgt the additional requirements, and</li> <li>• Agree whether: <ul style="list-style-type: none"> <li>○ Additional requirements can be met through additional disclosures in the FS; OR</li> <li>○ Description of applicable FRF in FS can be amended accordingly.</li> <li>○ If neither possible, consider effect on audit opinion in accordance with SA 705(Revised).</li> </ul> </li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

<p><b><i>Financial Reporting Framework Prescribed by Law or Regulation—Other Matters Affecting Acceptance</i></b></p>	<p>If the auditor has determined that the FRF prescribed by L&amp;R is unacceptable, accept the audit engagement only if the following conditions are present:</p> <ul style="list-style-type: none"> <li>• Mgt agrees to provide additional disclosures in the FS required to avoid the FS being misleading; and</li> <li>• It is recognised in TOAE that: <ul style="list-style-type: none"> <li>○ AR will include EOM paragraph, drawing users’ attention to the additional disclosures and</li> <li>○ Unless auditor required by L&amp;R to use phrases “present fairly, in all material respects” or “give a true and fair view”, auditor’s opinion not to include such phrases.</li> </ul> </li> </ul> <p>If above conditions not met and L&amp;R require auditor to undertake engagement:</p> <ul style="list-style-type: none"> <li>• Evaluate effect of misleading nature of FS on AR, and include appropriate reference to this matter in TOAE.</li> </ul>
<p><b><i>Auditor’s Report Prescribed by Law or Regulation</i></b></p>	<p>In some cases, the L&amp;R applicable to the entity prescribes the layout or wording of the AR in a form or in terms that are significantly different from the requirements of SAs. In these circumstances, the auditor shall evaluate:</p> <ul style="list-style-type: none"> <li>• Whether users might misunderstand the assurance obtained from audit of the FS and, if so,</li> <li>• Whether additional explanation in the AR can mitigate possible misunderstanding.</li> </ul> <p>If additional explanation cannot mitigate possible misunderstanding:</p> <ul style="list-style-type: none"> <li>• Do not accept audit engagement unless required by L&amp;R.</li> <li>• This audit, if conducted, does not comply with SAs. AR cannot state that the audit is conducted in accordance with SAs.</li> </ul>



## **SA 220- Quality Control for an Audit of Financial Statements**

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### **Scope of this SA**

This SA deals with the specific responsibilities of the auditor regarding QC procedures for an audit of FS. It also addresses, the responsibilities of the EQC reviewer. This SA is to be read in conjunction with relevant ethical requirements.

### **System of Quality Control and Role of Engagement Teams**

This SA presumes firm is applying SQC 1. Audit firm has the responsibility to implement QC system that provides reasonable assurance that firm & its personnel comply with professional standards & regulatory & legal requirements and reports issued by firm/ engagement partners are appropriate in the circumstances.

Engagement team has responsibility to implement applicable QC procedures and provide firm with relevant information w.r.t. QC regarding Independence. ET are entitled to rely on the firm's system of QC, unless information provided by the firm or other parties suggests otherwise.

### **Objective**

The objective of the auditor is to implement QC procedures at the engagement level that provide the auditor with reasonable assurance that:

- The audit complies with professional standards and regulatory and legal requirements; and
- The AR issued is appropriate in the circumstances.

### **Key Definitions**

- **Engagement partner(EP)** – the partner or other person in the firm who is a member of the ICAI and is in full time practice and is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
- **Engagement quality control review** – a process designed to provide an objective evaluation, before the report is issued, of the significant judgments the ET made and the conclusions they reached in formulating the report.
- **Engagement team(ET)** – all personnel performing an engagement, including any experts contracted by the firm in connection with that engagement. The term “engagement team” excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of SA 610 (Revised).
- **Listed entity** – an entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are traded under the regulations of a recognized stock exchange or other equivalent body.
- **Suitably qualified external person** – an individual outside the firm with the capabilities and competence to act as an EP, for example a partner or an employee (with appropriate experience) of another firm. (Note: Such employee should be a member of ICAI)

## Requirements of the Standard

Requirements	Description
<b>Leadership Responsibilities for Quality on Audits</b>	The EP shall take responsibility for the overall quality on each audit engagement to which that partner is assigned.
<b>Relevant Ethical Requirements</b>	
	<p>The EP shall remain alert, through observation and making inquiries, for evidence of non-compliance with relevant ethical requirements by members of the ET.</p> <p>If matters come to the EP's attention, that indicate that members of the ET have not complied with relevant ethical requirements, the EP, in consultation with others in the firm, shall determine the appropriate action.</p>
<b>Independence</b>	<p>The EP shall form a conclusion on compliance with independence requirements that apply to the audit engagement. In doing so, the EP shall:</p> <ul style="list-style-type: none"> <li>• Obtain relevant information from the firm and, where applicable, network firms, to identify and evaluate circumstances and relationships that create threats to independence;</li> <li>• Evaluate information on identified breaches, if any, of the firm's independence policies and procedures to determine whether they create a threat to independence for the audit engagement; and</li> <li>• Take appropriate action to eliminate such threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the audit engagement, where withdrawal is permitted by L&amp;R. The EP shall promptly report to the firm any inability to resolve the matter for appropriate action.</li> </ul>
<b>Acceptance and Continuance of Client Relationships and Audit Engagements</b>	<p>The EP shall be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and audit engagements have been followed, and shall determine that conclusions reached in this regard are appropriate.</p> <p>If the EP obtains information that would have caused the firm to decline the audit engagement had that information been available earlier, the EP shall communicate that information promptly to the firm, so that the firm and the EP can take the necessary action.</p>
<b>Assignment of Engagement Teams</b>	<p>The EP shall be satisfied that the ET, and any auditor's experts who are not part of the ET, collectively have the appropriate competence and capabilities to:</p> <ul style="list-style-type: none"> <li>• Perform the audit engagement in accordance with professional standards and L &amp; R; and</li> <li>• Enable an AR that is appropriate in the circumstances to be issued.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

<b>Engagement Performance</b>	
<b><i>Direction, Supervision and Performance</i></b>	<p>The EP shall take responsibility for:</p> <ul style="list-style-type: none"> <li>• The direction, supervision and performance of the audit engagement in compliance with professional standards and regulatory and legal requirements; and</li> <li>• The AR being appropriate in the circumstances.</li> </ul>
<b><i>Reviews</i></b>	<p>The EP shall take responsibility for reviews being performed in accordance with the firm's review policies and procedures.</p> <p>On or before the date of the AR, the EP shall, through a review of the audit documentation and discussion with the ET, be satisfied that SAAE has been obtained to support the conclusions reached and for the AR to be issued.</p>
<b><i>Consultation</i></b>	<p>The EP shall:</p> <ul style="list-style-type: none"> <li>• Take responsibility for ET undertaking consultation on difficult/contentious issues.</li> <li>• Be satisfied that members of ET have undertaken such consultation.</li> <li>• Be satisfied that nature &amp; scope and conclusions of such consultations are agreed with consultant.</li> <li>• Determine that conclusions resulting from such consultations have been implemented.</li> </ul>
<b><i>Engagement Quality Control Review</i></b>	<p>For audits of FS of listed entities, and those other audit engagements, for which the firm has determined that an EQC review is required, the EP shall:</p> <ul style="list-style-type: none"> <li>• Determine that an EQC reviewer has been appointed;</li> <li>• Discuss significant matters arising during the audit engagement, including those identified during the EQC review, with the EQC reviewer; and</li> <li>• Not date the AR until the completion of the EQC review.</li> </ul> <p>The EQC reviewer shall perform an objective evaluation of the significant judgments made by the ET, and the conclusions reached in formulating the AR.</p> <p>This evaluation shall involve:</p> <ul style="list-style-type: none"> <li>• Discussion of significant matters with the EP;</li> <li>• Review of the FS and the proposed AR;</li> <li>• Review of selected audit documentation relating to the significant judgments and conclusions of ET;</li> <li>• Evaluation of the conclusions reached and consideration of whether the proposed AR is appropriate.</li> </ul> <p>For audits of FS of listed entities, the EQC reviewer, on performing an</p>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>EQC review, shall also consider the following:</p> <ul style="list-style-type: none"> <li>• The ET’s evaluation of the firm’s independence in relation to the audit engagement;</li> <li>• Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and</li> <li>• Whether audit documentation selected for review reflects the work performed in relation to the significant judgments made and supports the conclusions reached.</li> </ul>
<b>Differences of Opinion</b>	<p>If differences of opinion arise within the ET, with those consulted or, where applicable, between the EP and the EQC reviewer, the ET shall follow the firm’s policies and procedures for dealing with and resolving differences of opinion.</p>
<b>Monitoring</b>	<p>The EP shall consider the results of the firm’s monitoring process as evidenced in the latest information circulated by the firm and, if applicable, other network firms and whether deficiencies noted in that information may affect the audit engagement.</p>
<b>Documentation</b>	<p>The auditor shall document:</p> <ul style="list-style-type: none"> <li>• Issues identified with respect to compliance with relevant ethical requirements and how they were resolved.</li> <li>• Conclusions on compliance with independence requirements that apply to the audit engagement, and any relevant discussions with the firm that support these conclusions.</li> <li>• Conclusions reached regarding the acceptance and continuance of client relationships and audit engagements.</li> <li>• The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the audit engagement.</li> </ul> <p>The EQC reviewer shall document, for the audit engagement reviewed, that:</p> <ul style="list-style-type: none"> <li>• The procedures required by the firm’s policies on EQC review have been performed;</li> <li>• The EQC review has been completed on or before the date of the AR; and</li> <li>• The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the ET made and the conclusions they reached were not appropriate.</li> </ul>

## SA 230 - Audit Documentation

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### Scope of this SA

This SA deals with the auditor's responsibility to prepare audit documentation for an audit of FS. It is to be adapted as necessary in the circumstances when applied to audits of other historical FI. The specific documentation requirements of other SAs do not limit the application of this SA. L&R may establish additional documentation requirements.

### *Nature and Purposes of Audit Documentation*

Audit documentation that meets the requirements of this SA and the specific documentation requirements of other relevant SAs provides:

- Evidence of basis for a conclusion about the achievement of the overall objectives of the auditor; and
- Evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.

Audit documentation serves a number of additional purposes, including the following:

- Assisting the ET to plan and perform the audit.
- Assisting members of the ET responsible for supervision to direct and supervise the audit work, and to discharge their review responsibilities in accordance with SA 220.
- Enabling the ET to be accountable for its work.
- Retaining a record of matters of continuing significance to future audits.
- Enabling the conduct of QC reviews and inspections in accordance with SQC 1.
- Enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements.

### Objective

The objective of the auditor is to prepare documentation that provides:

- A sufficient and appropriate record of the basis for the AR; and
- Evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.

### Key Definitions

- **Audit documentation** – The record of audit procedures performed, relevant AE obtained, and conclusions the auditor reached (terms such as “working papers” or “workpapers” are also sometimes used).
- **Audit file** – One or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.
- **Experienced auditor** – An individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of:
  - Audit processes;
  - SAs and applicable legal and regulatory requirements;
  - The business environment in which the entity operates; and
  - Auditing and financial reporting issues relevant to the entity's industry.

## Requirements of the Standard

Requirements	Description
<b>Timely Preparation of Audit Documentation</b>	The auditor shall prepare audit documentation on a timely basis.
<b>Documentation of the Audit Procedures Performed and Audit Evidence Obtained</b>	
<b><i>Form, Content and Extent of Audit Documentation</i></b>	<p>The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:</p> <ul style="list-style-type: none"> <li>• The NTE of the audit procedures performed to comply with the SAs and applicable legal and regulatory requirements;</li> <li>• The results of the audit procedures performed, and the AE obtained; and</li> <li>• Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.</li> </ul> <p>In documenting the NTE of audit procedures performed, the auditor shall record:</p> <ul style="list-style-type: none"> <li>• The identifying characteristics of the specific items or matters tested;</li> <li>• Who performed the audit work and the date such work was completed; and</li> <li>• Who reviewed the audit work performed and the date and extent of such review.</li> </ul> <p>The auditor shall document discussions of significant matters with mgt, TCWG, and others, including the nature of the significant matters discussed and when and with whom the discussions took place.</p> <p>If the auditor identified information that is inconsistent with the auditor’s final conclusion regarding a significant matter, the auditor shall document how the auditor addressed the inconsistency.</p>
<b><i>Departure from a Relevant Requirement</i></b>	In exceptional circumstances, where the auditor judges it necessary to depart from a relevant requirement in a SA, the auditor shall document how the alternative audit procedures performed achieve the aim of that requirement, and the reasons for the departure.
<b><i>Matters Arising after the Date of the Auditor’s Report</i></b>	<p>In exceptional circumstances, where the auditor performs new or additional audit procedures or draws new conclusions after the date of the AR, the auditor shall document:</p> <ul style="list-style-type: none"> <li>• The circumstances encountered;</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"><li>• The new or additional audit procedures performed, AE obtained, and conclusions reached, and their effect on the AR; and</li><li>• When and by whom the resulting changes to audit documentation were made and reviewed.</li></ul>
<b>Assembly of the Final Audit File</b>	<p>The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the AR.</p> <p>After the assembly of the final audit file has been completed, the auditor shall not delete or discard audit documentation of any nature before the end of its retention period.</p> <p>In circumstances other than those mentioned above, where the auditor finds it necessary to modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed, the auditor shall, regardless of the nature of the modifications or additions, document:</p> <ul style="list-style-type: none"><li>• The specific reasons for making them; and</li><li>• When and by whom they were made and reviewed.</li></ul>

## SA 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

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### Scope of this SA

This SA deals with the auditor's responsibilities relating to fraud in an audit of FS. Specifically, it expands on how SA 315 and SA 330 are to be applied in relation to ROMM due to fraud.

### *Characteristics of Fraud*

Misstatements in the FS can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the FS is intentional or unintentional.

Although fraud is a broad legal concept, for the purposes of the SAs, the auditor is concerned with fraud that causes a MM in the FS. Two types of intentional misstatements are relevant to the auditor—misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Although the auditor may suspect or, in rare cases, identify the occurrence of fraud, the auditor does not make legal determinations of whether fraud has actually occurred.

### *Responsibility for the Prevention and Detection of Fraud*

The primary responsibility for the prevention and detection of fraud rests with both TCWG of the entity and mgt. Mgt to establish proper policies with emphasis on ethics and honesty. In exercising oversight responsibility, TCWG consider the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by mgt to manage earnings in order to influence the perceptions of analysts as to the entity's performance and profitability.

### *Responsibilities of the Auditor*

An auditor conducting an audit in accordance with SAs is responsible for obtaining reasonable assurance that the FS taken as a whole are free from MM, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that some MM of the FS may not be detected, even though the audit is properly planned and performed in accordance with the SAs. When obtaining reasonable assurance, the auditor is responsible for maintaining PS throughout the audit.

### **Objective**

The objectives of the auditor are:

- To identify and assess the ROMM in the FS due to fraud;
- To obtain SAAE about the assessed ROMM due to fraud, through designing and implementing appropriate responses; and
- To respond appropriately to identified or suspected fraud.

### **Key Definitions**

- **Fraud** - An intentional act by one or more individuals among mgt, TCWG, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
- **Fraud risk factors** - Events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.



## Requirements of the Standard

Requirements	Description
<b>Professional Skepticism</b>	<p>PS requires ongoing questioning of:</p> <ul style="list-style-type: none"> <li>• Whether information &amp; AE obtained suggest possibility of material misstatement due to fraud.</li> <li>• Do not take client integrity and honesty for granted.</li> <li>• Documents may be accepted as genuine if no contrary indications: <ul style="list-style-type: none"> <li>○ But when in doubt, may: <ul style="list-style-type: none"> <li>▪ Confirm directly with third party.</li> <li>▪ Engage expert to assess authenticity.</li> <li>▪ Investigate - response to inquiries is inconsistent.</li> </ul> </li> </ul> </li> </ul>
<b>Discussion Among the Engagement Team</b>	<p>Discussion among the ET members and a determination by the EP of matters which are to be communicated to those team members not involved in the discussion. This discussion shall place particular emphasis on how and where the entity's FS may be susceptible to MM due to fraud, including how fraud might occur. The discussion shall occur notwithstanding the ET members' beliefs that mgt and TCWG are honest and have integrity.</p>
<b>Risk Assessment Procedures and Related Activities</b>	
	<p>When performing RAP and related activities to obtain an understanding of the entity and its environment, including the entity's internal control, required by SA 315, the auditor shall perform the procedures cited below to obtain information for use in identifying the ROMM due to fraud.</p>
<b>Management and Others within the Entity</b>	<p>Assessment of ROMM due to fraud in FS:</p> <ul style="list-style-type: none"> <li>• Nature, extent, frequency of assessment.</li> <li>• Relevant controls for prevention &amp; detection.</li> </ul> <p>Process for identifying &amp; responding to fraud risk:</p> <ul style="list-style-type: none"> <li>• Any specific risk identified.</li> <li>• Communication with TCWG on above issues.</li> <li>• Communication to employees on its views on business practices &amp; ethical behavior.</li> </ul> <p>The auditor shall make inquiries of mgt, and others within the entity, internal audit (where internal audit function exists) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity and to obtain views of internal audit about the risks of fraud.</p>
<b>Those Charged with Governance</b>	<ul style="list-style-type: none"> <li>• Understand how TCWG exercise oversight of mgt w.r.t. process for identifying and responding to fraud risk and internal controls for mitigating those risks</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"> <li>• Enquire with TCWG about actual/ suspected/ alleged fraud.</li> </ul>
<b>Unusual or Unexpected Relationships Identified</b>	The auditor shall evaluate whether unusual or unexpected relationships that have been identified in performing APs, including those related to revenue accounts, may indicate ROMM due to fraud.
<b>Other Information</b>	The auditor shall consider whether other information obtained by the auditor indicates ROMM due to fraud.
<b>Evaluation of Fraud Risk Factors</b>	The auditor shall evaluate whether the information obtained from the other RAP and related activities performed indicates the presence of fraud risk factors. While fraud risk factors may not necessarily indicate the existence of fraud, they have often been present in circumstances where frauds have occurred and therefore may indicate ROMM due to fraud.
<b>Identification and Assessment of the Risks of Material Misstatement Due to Fraud</b>	<p>In accordance with SA 315, the auditor shall identify and assess the ROMM due to fraud at the FS level, and at the assertion level for COTABD.</p> <p>When identifying and assessing the ROMM due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks. Where the auditor concludes that the presumption is not applicable make necessary documentation.</p> <p>The auditor shall treat those assessed ROMM due to fraud as significant risks and accordingly, to the extent not already done so, the auditor shall obtain an understanding of the entity's related controls, including control activities, relevant to such risks.</p>
<b>Responses to the Assessed Risks of Material Misstatement Due to Fraud</b>	
<b>Overall Responses</b>	<p>The auditor shall determine overall responses to address the assessed ROMM due to fraud at the FS level, and shall:</p> <ul style="list-style-type: none"> <li>• Assign proper audit personnel.</li> <li>• Evaluate selection &amp; application of accounting policies.</li> <li>• Incorporate unpredictability in selection of NTE of audit procedures</li> </ul>
<b>Audit Procedures Responsive to Assessed Risks of Material Misstatement Due to Fraud at the Assertion Level</b>	The auditor shall design and perform further audit procedures whose NTE are responsive to the assessed ROMM due to fraud at the assertion level.
<b>Audit Procedures Responsive to Risks Related to Management Override of Controls</b>	<p>This risk is present in all entities. Unpredictability in how override could occur so it is a significant fraud risk.</p> <p>Irrespective of the auditor's assessment of the risks of mgt override of controls, the auditor shall design and perform audit procedures to:</p>

**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"> <li>• Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the FS.</li> <li>• Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a ROMM due to fraud.</li> <li>• For significant transactions that are outside the normal course of business, or unusual given the auditor’s understanding of the entity and its environment and other information obtained during the audit, the auditor shall evaluate whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.</li> </ul> <p>The auditor shall determine whether, the auditor needs to perform other audit procedures in addition to those specifically referred to above.</p>
<p><b>Evaluation of Audit Evidence</b></p>	<p>The auditor shall evaluate whether APs that are performed when forming an overall conclusion as to whether the FS as a whole are consistent with the auditor’s understanding of the entity and its environment indicate a previously unrecognized ROMM due to fraud.</p> <p>When the auditor identifies a misstatement, the auditor shall evaluate whether such a misstatement is indicative of fraud. If there is such an indication, the auditor shall evaluate the implications of the misstatement in relation to other aspects of the audit, particularly the reliability of mgt representations, recognizing that an instance of fraud is unlikely to be an isolated occurrence.</p> <p>If the auditor identifies a misstatement, and the auditor has reason to believe that it is or may be the result of fraud and that mgt (in particular, senior mgt) is involved, the auditor shall re-evaluate the assessment of the ROMM due to fraud and its resulting impact on the NTE of audit procedures to respond to the assessed risks. The auditor shall also consider whether circumstances or conditions indicate possible collusion involving employees, mgt or third parties when reconsidering the reliability of evidence previously obtained.</p> <p>When the auditor confirms that, or is unable to conclude whether, the FS are materially misstated as a result of fraud the auditor shall evaluate the implications for the audit.</p>
<p><b>Auditor Unable to Continue the Engagement</b></p>	<p>If, as a result of a misstatement resulting from fraud or suspected fraud, the auditor encounters exceptional circumstances that bring into question the auditor’s ability to continue performing the audit, the auditor shall:</p> <ul style="list-style-type: none"> <li>• Determine the professional and legal responsibilities applicable in the circumstances, including the requirement to report to: <ul style="list-style-type: none"> <li>○ Appointing authority.</li> <li>○ Regulator.</li> </ul> </li> <li>• Consider whether it is appropriate to withdraw from the</li> </ul>

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	<p>engagement, where withdrawal from the engagement is legally permitted; and</p> <ul style="list-style-type: none"> <li>• If the auditor withdraws: <ul style="list-style-type: none"> <li>○ Discuss reasons with mgt &amp; TCWG.</li> <li>○ Determine legal/ professional requirement to report to the appointing authority, regulator.</li> </ul> </li> </ul>
<p><b>Management Representations</b></p>	<p>The auditor shall obtain written representations from mgt and, where applicable, TCWG that:</p> <ul style="list-style-type: none"> <li>• They acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>• They have disclosed to the auditor the results of mgt’s assessment of the risk that the FS may be materially misstated as a result of fraud;</li> <li>• They have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> <li>○ Mgt;</li> <li>○ Employees who have significant roles in internal control; or</li> <li>○ Others where the fraud could have a material effect on the FS; and</li> </ul> </li> <li>• They have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s FS communicated by employees, former employees, analysts, regulators or others.</li> </ul>
<p><b>Communications to Management and with Those Charged with Governance</b></p>	<p>To Communicate with mgt:</p> <ul style="list-style-type: none"> <li>• Fraud identified/ information indicating fraud</li> <li>• On timely basis.</li> <li>• At appropriate level (with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities).</li> </ul> <p>Unless all of TCWG are involved in managing the entity, if the auditor has identified or suspects fraud involving:</p> <ul style="list-style-type: none"> <li>• Mgt;</li> <li>• Employees who have significant roles in internal control; or</li> <li>• Others where the fraud results in a MM in the FS.</li> </ul> <p>The auditor shall communicate these matters to TCWG on a timely basis. If the auditor suspects fraud involving mgt, the auditor shall communicate these suspicions to TCWG and discuss with them the NTE of audit procedures necessary to complete the audit.</p> <p>The auditor shall communicate with TCWG any other matters related to</p>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>fraud that are, in the auditor's judgment, relevant to their responsibilities.</p>
<p><b>Communications to Regulatory and Enforcement Authorities</b></p>	<p>If the auditor has identified or suspects a fraud, the auditor shall determine whether there is a responsibility to report the occurrence or suspicion to a party outside the entity. Although the auditor's professional duty to maintain the confidentiality of client information may preclude such reporting, the auditor's legal responsibilities may override the duty of confidentiality in some circumstances.</p>
<p><b>Documentation</b></p>	<p>The auditor's documentation as required by SA 315 shall include:</p> <ul style="list-style-type: none"> <li>• The significant decisions reached during the discussion among the ET regarding the susceptibility of the entity's FS to MM due to fraud; and</li> <li>• The identified and assessed ROMM due to fraud at the FS level and at the assertion level.</li> </ul> <p>The auditor's documentation as required by SA 330 shall include:</p> <ul style="list-style-type: none"> <li>• The overall responses to the assessed ROMM due to fraud at the FS level and the NTE of audit procedures, and the linkage of those procedures with the assessed ROMM due to fraud at the assertion level; and</li> <li>• The results of the audit procedures, including those designed to address the risk of mgt override of controls.</li> </ul> <p>The auditor shall document communications about fraud made to mgt, TCWG, regulators and others.</p> <p>When the auditor has concluded that the presumption that there is a ROMM due to fraud related to revenue recognition is not applicable in the circumstances of the engagement, the auditor shall document the reasons for that conclusion.</p>

## SA 250 - Consideration of Laws and Regulations in an Audit of Financial Statements

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### Scope of this SA

This SA deals with the auditor's responsibility to consider L&R when performing an audit of FS. This SA does not apply to other assurance engagements in which the auditor is specifically engaged to test and report separately on compliance with specific L&R.

### *Effect of Laws and Regulations*

The effect of L & R on the FS varies considerably. Provisions of some laws or regulations have a direct effect on the FS in that they determine the reported amounts and disclosures in an entity's FS. Other laws or regulations are to be complied with by mgt or set the provisions under which the entity is allowed to conduct its business but do not have a direct effect on an entity's FS. Non-compliance with laws and regulations may result in fines, litigation, or other consequences for the entity that may have a material effect on the FS.

### *Responsibility of Management for Compliance with Laws and Regulations*

It is the responsibility of mgt, with the oversight of TCWG, to ensure that the entity's operations are conducted in accordance with the provisions of L&R, including compliance with the provisions of L&R that determine the reported amounts and disclosures in an entity's FS.

### *Responsibility of the Auditor*

Auditor is responsible for obtaining reasonable assurance that FS taken as a whole are free from MM, whether by fraud or error. This SA assists auditor in identifying MM in FS due to non-compliance. Auditor is not, responsible for preventing non-compliance and cannot be expected to detect non-compliance with all L&R.

Factors increasing the risk of not detecting the non-compliance:

- Inherent limitations of audit.
- Some L&R relate to operations, no impact on FS and are not captured by entity's information system.
- Deliberate concealment of non-compliance, e.g., collusion, forgery.
- Non-compliance - Ultimate determination is a matter of court of law.

This SA distinguishes the auditor's responsibilities in relation to compliance with two different categories of L&R as follows:

- The provisions of those L&R generally recognised to have a direct effect on the determination of material amounts and disclosures in the FS such as tax and labour laws (**the auditor's responsibility is to obtain SAAE about compliance with the provisions of those L&R**) and
- Other L&R that do not have a direct effect on the determination of the amounts and disclosures in the FS, but compliance with which may be fundamental to the operating aspects of the business, to an entity's ability to continue its business, or to avoid material penalties (for example, compliance with the terms of an operating license, compliance with regulatory solvency requirements, or compliance with environmental regulations); non-

## Ready Referencer on Engagement and Quality Control Standards

compliance with such L&R may therefore have a material effect on the FS (**the auditor's responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those L&R that may have a material effect on the FS.**)

- The auditor is required by this SA to remain alert to the possibility that other audit procedures applied for the purpose of forming an opinion on FS may bring instances of identified or suspected non-compliance to the auditor's attention. Maintaining PS throughout the audit, as required by SA 200, is important in this context, given the extent of L&R that affect the entity.

### Objectives

The objectives of the auditor are:

- To obtain SAAE regarding compliance with the provisions of those L&R generally recognised to have a direct effect on the determination of material amounts and disclosures in the FS;
- To perform specified audit procedures to help identify instances of non-compliance with L&R that may have a material effect on the FS; and
- To respond appropriately to non-compliance or suspected non-compliance with L&R identified during the audit.

### Key Definitions

**Non-compliance** – Acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing L&R. Such acts include transactions entered into by, or in the name of, the entity, or on its behalf, by TCWG, mgt or employees. Non-compliance does not include personal misconduct (unrelated to the business activities of the entity) by TCWG, mgt or employees of the entity.

### Requirements of the Standard

Requirements	Description
<p><b>The Auditor's Consideration of Compliance with Laws and Regulations</b></p>	<p>In accordance with SA 315, the auditor shall obtain a general understanding of:</p> <ul style="list-style-type: none"> <li>• The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates; and</li> <li>• How the entity is complying with that framework.</li> </ul> <p>The auditor shall obtain <b>SAAE</b> regarding compliance with the provisions of those L&amp;R generally recognized to have a <b>direct effect</b> on the determination of material amounts and disclosures in the FS.</p> <p>The auditor shall perform the following audit procedures to help identify instances of non-compliance with other L&amp;R that may have a material effect on the FS:</p> <ul style="list-style-type: none"> <li>• Inquiring of mgt and, where appropriate, TCWG, as to whether the entity is in compliance with such L&amp;R; and</li> <li>• Inspecting correspondence, if any, with the relevant licensing or regulatory authorities.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>During the audit, the auditor shall remain alert to the possibility that other audit procedures applied may bring instances of non-compliance or suspected non-compliance with L&amp;R to the auditor’s attention.</p> <p>The auditor shall request mgt and, where appropriate, TCWG to provide written representations that all known instances of non-compliance or suspected non-compliance with L&amp;R whose effects should be considered when preparing FS have been disclosed to the auditor.</p> <p>In the absence of identified or suspected non-compliance, the auditor is not required to perform audit procedures regarding the entity’s compliance with L&amp;R, other than those mentioned above.</p>
<p><b>Audit Procedures When Compliance is Identified or Suspected</b></p>	<p>If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with L&amp;R, the auditor shall obtain:</p> <ul style="list-style-type: none"> <li>• An understanding of the nature of the act and the circumstances in which it has occurred; and</li> <li>• Further information to evaluate the possible effect on the FS.</li> </ul> <p>If the auditor suspects there may be non-compliance, the auditor shall:</p> <ul style="list-style-type: none"> <li>• Discuss matter with mgt/ TCWG.</li> <li>• Obtain legal advice if: <ul style="list-style-type: none"> <li>○ Mgt/ TCWG not providing sufficient information, and</li> <li>○ Auditor adjudges possible effect to be material to FS.</li> </ul> </li> <li>• Insufficient information on suspected non-compliance, evaluate the effect of lack of SAAE on auditor’s opinion.</li> <li>• Evaluate implication also in respect of auditor’s risk assessment and reliability of WR and take appropriate action.</li> </ul>
<p><b>Reporting of Identified or Suspected Non-Compliance</b></p>	
<p><b>Reporting Non-Compliance to Those Charged with Governance</b></p>	<p>Unless all of TCWG are involved in management of the entity, and therefore are aware of matters involving identified or suspected non-compliance already communicated by the auditor, the auditor shall communicate with TCWG matters involving non-compliance with L&amp;R that come to the auditor’s attention during the course of the audit, other than when the matters are clearly inconsequential.</p> <p>If, in the auditor’s judgment, the non-compliance referred to in above para is believed to be intentional and material, the auditor shall communicate the matter to TCWG as soon as practicable.</p> <p>If the auditor suspects that mgt or TCWG are involved in non-compliance, the auditor shall communicate the matter to the next higher level of authority at the entity, if it exists, such as an audit committee or supervisory board. Where no higher authority exists, or if the auditor believes that the communication may not be acted upon or is unsure as to the person to whom to report, the auditor shall consider the need to obtain legal advice.</p>



**Ready Referencer on Engagement and Quality Control Standards**

<p><b>Reporting Non-Compliance in the Auditor's Report on the Financial Statements</b></p>	<p>If the auditor concludes that the non-compliance has a material effect on the FS, and has not been adequately reflected in the FS, the auditor shall, in accordance with SA 705 (Revised), express a qualified or adverse opinion on the FS.</p> <p>If the auditor is precluded by mgt or TCWG from obtaining SAAE to evaluate whether non-compliance that may be material to the FS has, or is likely to have, occurred, the auditor shall express a qualified opinion or disclaim an opinion on the FS on the basis of a limitation on the scope of the audit in accordance with SA 705(Revised).</p> <p>If the auditor is unable to determine whether non-compliance has occurred because of limitations imposed by the circumstances rather than by mgt or TCWG, the auditor shall evaluate the effect on the auditor's opinion in accordance with SA 705(Revised).</p>
<p><b>Reporting Non-Compliance to Regulatory and Enforcement Authorities</b></p>	<p>If the auditor has identified or suspects non-compliance with L&amp;R, the auditor shall determine whether the auditor has a responsibility to report the identified or suspected non-compliance to parties outside the entity.</p>
<p><b>Documentation</b></p>	<p>The auditor shall document identified or suspected non-compliance with L&amp;R and the results of discussion with mgt and, where applicable, TCWG and other parties outside the entity.</p>

## SA 260(Revised) - Communication with Those Charged with Governance

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### Scope of this SA

This SA deals with the auditor's responsibility to communicate with TCWG in an audit of FS. Although this SA applies irrespective of an entity's governance structure or size, particular considerations apply where all of TCWG are involved in managing an entity, and for listed entities. This SA does not establish requirements regarding the auditor's communication with an entity's mgt or owners unless they are also charged with a governance role.

This SA is written in the context of an audit of FS, but may also be applicable or adapted to audits of other historical FI when TCWG have a responsibility to oversee the preparation of the other historical FI.

This SA provides an overarching framework for the auditor's communication with TCWG, and identifies some specific matters to be communicated with them. Additional matters to be communicated, which complement the requirements of this SA, are identified in other SAs. In addition, SA 265 establishes specific requirements regarding the communication of significant deficiencies in internal control the auditor has identified during the audit to TCWG. Further matters, not required by this or other SAs, may be required to be communicated by L&R, by agreement with the entity, or by additional requirements applicable to the engagement. Nothing in this SA precludes the auditor from communicating any other matters to TCWG.

### The Role of Communication

This SA focuses primarily on communications from the auditor to TCWG. Nevertheless, effective two-way communication is important in assisting:

- The auditor and TCWG in understanding matters related to the audit in context, and in developing a constructive working relationship. This relationship is developed while maintaining the auditor's independence and objectivity;
- The auditor in obtaining from TCWG information relevant to the audit. and
- TCWG in fulfilling their responsibility to oversee the financial reporting process, thereby reducing the ROMM of the FS.

SAs do not, require the auditor to perform procedures specifically to identify any other matters to communicate with TCWG. L&R may restrict the auditor's communication of certain matters with TCWG. In some circumstances, potential conflicts between the auditor's obligations of confidentiality and obligations to communicate may be complex. In such cases, the auditor may consider obtaining legal advice.

### Objectives

The objectives of the auditor are:

- To communicate clearly with TCWG the responsibilities of the auditor in relation to the FS audit, and an overview of the planned scope and timing of the audit;
- To obtain from TCWG information relevant to the audit;

## Ready Referencer on Engagement and Quality Control Standards

- To provide TCWG with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process; and
- To promote effective two-way communication between the auditor and TCWG.

### Key Definitions

- **Those charged with governance** – 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. For some entities, TCWG may include mgt personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.
- **Management** – The person(s) with executive responsibility for the conduct of the entity's operations. For some entities, mgt includes some or all of TCWG, for example, executive members of a governance board, or an owner-manager.

### Requirements of the Standard

Requirements	Description
<b>Those Charged with Governance</b>	
	The auditor shall determine the appropriate person(s) within the entity's governance structure with whom to communicate.
<b>Communication with a Subgroup of Those Charged with Governance</b>	If the auditor communicates with a subgroup of TCWG, for example, an audit committee, or an individual, the auditor shall determine whether the auditor also needs to communicate with the governing body.
<b>When All of Those Charged with Governance Are Involved in Managing the Entity</b>	In some cases, all of TCWG are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters required by this SA are communicated with person(s) with mgt responsibilities, and those person(s) also have governance responsibilities, the matters need not be communicated again with those same person(s) in their governance role. The auditor shall nonetheless be satisfied that communication with person(s) with mgt responsibilities adequately informs all of those with whom the auditor would otherwise communicate in their governance capacity.
<b>Matters to Be Communicated</b>	
<b>The Auditor's Responsibilities in Relation to the Financial Statement Audit</b>	The auditor shall communicate with TCWG the responsibilities of the auditor in relation to the FS audit, including: <ul style="list-style-type: none"> <li>• The auditor is responsible for forming and expressing an opinion on the FS that have been prepared by mgt with the oversight of TCWG; and</li> <li>• The audit of the FS does not relieve mgt or TCWG of their responsibilities.</li> </ul>
<b>Planned Scope and Timing of the Audit</b>	The auditor shall communicate with TCWG an overview of the planned scope and timing of the audit, which includes communicating about the significant risks identified by the auditor.

**Ready Referencer on Engagement and Quality Control Standards**

<p><b><i>Significant Findings from the Audit</i></b></p>	<p>The auditor shall communicate with TCWG:</p> <ul style="list-style-type: none"> <li>• The auditor’s views about significant qualitative aspects of the entity’s accounting practices, including accounting policies, accounting estimates and FS disclosures. When applicable, the auditor shall explain to TCWG why the auditor considers a significant accounting practice, that is acceptable under the applicable FRF, not to be most appropriate to the particular circumstances of the entity;</li> <li>• Significant difficulties, if any, encountered during the audit;</li> <li>• Unless all of TCWG are involved in managing the entity: <ul style="list-style-type: none"> <li>○ Significant matters arising during the audit that were discussed, or subject to correspondence, with mgt; and</li> <li>○ Written representations the auditor is requesting;</li> </ul> </li> <li>• Circumstances that affect the form and content of the AR, if any; and</li> <li>• Any other significant matters arising during the audit that, in the auditor’s professional judgment, are relevant to the oversight of the financial reporting process.</li> </ul>
<p><b><i>Auditor Independence</i></b></p>	<p>In the case of listed entities, the auditor shall communicate with TCWG:</p> <ul style="list-style-type: none"> <li>• A statement that the ET and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence; and <ul style="list-style-type: none"> <li>○ All relationships and other matters between the firm, network firms, and the entity that, in the auditor’s PJ, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the FS for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist TCWG in assessing the effect of services on the independence of the auditor; and</li> <li>○ The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.</li> </ul> </li> </ul>
<p><b>The Communication Process</b></p>	
<p><b><i>Establishing the Communication Process</i></b></p>	<p>The auditor shall communicate with TCWG the form, timing and expected general content of communications.</p>

**Ready Referencer on Engagement and Quality Control Standards**

<p><b>Forms of Communication</b></p>	<p>The auditor shall communicate in writing with TCWG regarding significant findings from the audit if, in the auditor's PJ, oral communication would not be adequate. Written communications need not include all matters that arose during the course of the audit. The auditor shall communicate in writing with TCWG regarding auditor independence.</p>
<p><b>Timing of Communications</b></p>	<p>The auditor shall communicate with TCWG on a timely basis.</p>
<p><b>Adequacy of the Communication Process</b></p>	<p>The auditor shall evaluate whether the two-way communication between the auditor and TCWG has been adequate for the purpose of the audit. If it has not, the auditor shall evaluate the effect, if any, on the auditor's assessment of the ROMM and ability to obtain SAAE, and shall take appropriate action.</p>
<p><b>Documentation</b></p>	<p>Where matters required by this SA to be communicated are communicated orally, the auditor shall include them in the audit documentation, and when and to whom they were communicated. Where matters have been communicated in writing, the auditor shall retain a copy of the communication as part of the audit documentation.</p>

## **SA 265 - Communicating Deficiencies in Internal Control to Those Charged with Governance and Management**

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### **Scope of this SA**

This SA deals with the auditor's responsibility to communicate appropriately to TCWG and mgt deficiencies in internal control that the auditor has identified in an audit of FS. This SA does not impose additional responsibilities on the auditor regarding obtaining an understanding of internal control and designing and performing tests of controls over and above the requirements of SA 315 and SA 330. SA 260(Revised) establishes further requirements and provides guidance regarding the auditor's responsibility to communicate with TCWG in relation to the audit.

The auditor is required to obtain an understanding of internal control relevant to the audit when identifying and assessing the risks of material misstatement. In making those risk assessments, the auditor considers internal control 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 internal control. The auditor may identify deficiencies in internal control not only during this risk assessment process but also at any other stage of the audit. This SA specifies which identified deficiencies the auditor is required to communicate to TCWG and mgt.

Nothing in this SA precludes the auditor from communicating to TCWG and mgt other internal control matters that the auditor has identified during the audit.

### **Objective**

The objective of the auditor is to communicate appropriately to TCWG and mgt deficiencies in internal control that the auditor has identified during the audit and that, in the auditor's PJ, are of sufficient importance to merit their respective attentions.

### **Key Definitions**

- **Deficiency in internal control** – This exists when:
  - A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the FS on a timely basis; or
  - A control necessary to prevent, or detect and correct, misstatements in the FS on a timely basis is missing.
- **Significant deficiency in internal control** – A deficiency or combination of deficiencies in internal control that, in the auditor's PJ, is of sufficient importance to merit the attention of TCWG.

### **Requirements of the Standard**

The auditor shall determine whether, on the basis of the audit work performed, the auditor has identified one or more deficiencies in internal control.

If the auditor has identified one or more deficiencies in internal control, the auditor shall determine, on the basis of the audit work performed, whether, individually or in combination, they constitute significant deficiencies.

The auditor shall communicate in writing significant deficiencies in internal control identified during the audit to TCWG on a timely basis.

### **Ready Referencer on Engagement and Quality Control Standards**

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The auditor shall also communicate to mgt at an appropriate level of responsibility on a timely basis:

- In writing, significant deficiencies in internal control that the auditor has communicated or intends to communicate to TCWG, unless it would be inappropriate to communicate directly to mgt in the circumstances; and
- Other deficiencies in internal control identified during the audit that have not been communicated to mgt by other parties and that, in the auditor's PJ, are of sufficient importance to merit mgt's attention.

The auditor shall include in the written communication of significant deficiencies in internal control:

- A description of the deficiencies and an explanation of their potential effects; and
- Sufficient information to enable TCWG and mgt to understand the context of the communication. In particular, the auditor shall explain that:
  - The purpose of the audit was for the auditor to express an opinion on the FS;
  - The audit included consideration of internal control relevant to the preparation of the FS 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 internal control; and
  - The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to TCWG.

## SA 299(Revised) - Joint Audit of Financial Statements

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### Scope of this SA

This SA lays down the principles for effective conduct of joint audit to achieve the overall objectives of the auditor as laid down in SA 200. This Standard deals with the special considerations in carrying out audit by Joint Auditors(JA). Accordingly, in addition to the requirements enunciated in this Standard, the JA also need to comply with all the relevant requirements of other applicable SAs.

This Standard does not deal with the relationship between a principal auditor who is appointed to report on the FS of an entity and another auditor who is appointed to report on the FS of one or more component (divisions, branches, subsidiary, joint venture, associates, other entity) included in the FS of the entity.

### Objectives

The objectives of this Standard are:

- To lay down broad principles for the JA in conducting the joint audit.
- To provide a uniform approach to the process of joint audit.
- To identify the distinct areas of work and coverage thereof by each JA.
- To identify individual responsibility and joint responsibility of the JA in relation to audit.

### Key Definitions

- ***‘Joint Audit’ and ‘Joint Auditors’***

A joint audit is an audit of FS of an entity by two or more auditors appointed with the objective of issuing the audit report. Such auditors are described as joint auditors.

### Requirements of the Standard

Requirements	Description
<b>Audit Planning, Risk Assessment and Allocation of Work</b>	<p>The EP and other key members of the ET from each of the JA shall be involved in planning the audit.</p> <p>The JA shall jointly establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan.</p> <p>Prior to the commencement of the audit, the JA shall discuss and develop a joint audit plan. In developing the joint audit plan, the JA shall:</p> <ul style="list-style-type: none"> <li>• Identify division of audit areas and common audit areas amongst the JA that define the scope of the work of each JA;</li> <li>• Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required;</li> <li>• Consider and communicate among all JA the factors that, in their PJ, are significant in directing the ET efforts;</li> <li>• Consider the results of preliminary engagement activities and,</li> </ul>



**Ready Referencer on Engagement and Quality Control Standards**

	<p>where applicable, whether knowledge gained on other or similar engagements performed earlier by the respective EP for the entity is relevant.</p> <ul style="list-style-type: none"> <li>• Ascertain the nature, timing and extent of resources necessary to perform the engagement.</li> </ul> <p>At this stage, ROMM need to be considered and assessed by each of the JA and shall be communicated to other JA, and documented, whether pertaining to the overall FS level or to the area of allocation among the other JA.</p> <p>The JA shall discuss and document the NTE of the audit procedures for common and specific allotted areas of audit to be performed by each of the JA and the same shall be communicated to TCWG.</p> <p>The JA shall obtain common engagement letter and common management representation letter.</p> <p>After identification and allocation of work among the JA, the work allocation document shall be signed by all the JA and the same shall be communicated to TCWG of the entity.</p>
<p><b>Responsibility and Co-ordination among Auditors</b></p> <p align="right"><b>Joint</b></p>	<p>In respect of audit work divided among the JA, each JA shall be responsible only for the work allocated to such JA including proper execution of the audit procedures.</p> <p>All the JA shall be jointly and severally responsible for:</p> <ul style="list-style-type: none"> <li>• the audit work which is not divided among the JA and is carried out by all JA;</li> <li>• decisions taken by all the JA under audit planning in respect of common audit areas concerning the NTE of the audit procedures to be performed by each of the JA.</li> <li>• matters which are brought to the notice of the JA by any one of them and on which there is an agreement among the JA;</li> <li>• examining that the FS of the entity comply with the requirements of the relevant statutes;</li> <li>• presentation and disclosure of the FS as required by the applicable FRF;</li> <li>• ensuring that the AR complies with the requirements of the relevant statutes, the applicable SAs and the other relevant pronouncements issued by ICAI.</li> </ul> <p>Where, in the course of the audit, a JA comes across matters which are relevant to the areas of responsibility of other JA and which deserve their attention, or which require disclosure or require discussion with, or application of judgment by other JA, the said JA shall communicate the same to all the other JA in writing prior to the completion of the audit.</p> <p>It shall be the responsibility of each JA to determine the NTE of audit procedures to be applied in relation to the areas of work allocated to</p>

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	<p>said JA. It is the individual responsibility of each JA to study and evaluate the prevailing system of internal control and assessment of risk relating to the areas of work allocated to said JA.</p>
<p><b>Audit Conclusion and Reporting</b></p>	<p>JA are required to issue common audit report. However, in case of disagreement, separate audit report shall be issued taking below cited points into consideration:</p> <ul style="list-style-type: none"> <li>• In case of disagreement among JA w.r.t. opinion/any matter to be covered in AR, JA need to express their opinion in a separate AR.</li> <li>• JA not bound by views of majority of JA w.r.t. opinion/any matter to be covered in AR, and need to express his opinion in separate AR in case of disagreement.</li> <li>• In such cases, separate AR to make reference under heading 'Other Matter Paragraph' to AR issued by other JA.</li> </ul> <p>Each JA is entitled to assume that:</p> <ul style="list-style-type: none"> <li>• The other JA have carried out their part of the audit work and the work has actually been performed in accordance with the SAs. It is not necessary for a JA to review the work performed by other JA or perform any tests in order to ascertain whether the work has actually been performed in such a manner.</li> <li>• The other JA have brought to said JA's notice any departure from applicable FRF or significant observations that are relevant to their responsibilities noticed in the course of the audit.</li> </ul> <p>Where FS of a division/branch are audited by one of the JA, the other JA are entitled to proceed on the basis that such FS comply with all the legal and regulatory requirements and present a true and fair view of the state of affairs and of the results of operations of the division/branch concerned.</p> <p>Before finalizing their AR, the JA shall discuss and communicate with each other their respective conclusions that would form the content of the AR.</p>
<p><b>Communication with Those Charged with Governance</b></p>	<p>If JA expect to modify opinion or include EOM /OM para in AR, they need to communicate with TCWG:</p> <ul style="list-style-type: none"> <li>• Circumstances that led to expected modification or EOM/OM.</li> <li>• proposed wording of modification or EOM/OM para.</li> </ul>

## SA 300 - Planning an Audit of Financial Statements

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### Scope of this SA

This SA deals with the auditor's responsibility to plan an audit of FS. It is framed in the context of recurring audits and separately identifies additional considerations in initial audit engagements.

### Objective

The objective of the auditor is to plan the audit so that it will be performed in an effective manner.

### Requirements of the Standard

Requirements	Description
<b>Involvement of Key Engagement Team Members</b>	The EP and other key members of the ET shall be involved in planning the audit, including planning and participating in the discussion among ET members.
<b>Preliminary Engagement Activities</b>	<p>The auditor shall undertake the following activities at the beginning of the current audit engagement:</p> <ul style="list-style-type: none"> <li>• Performing procedures required by SA 220 regarding the continuance of the client relationship and the specific audit engagement;</li> <li>• Evaluating compliance with ethical requirements, including independence, as required by SA 220; and</li> <li>• Establishing an understanding of the terms of the engagement, as required by SA 210.</li> </ul>
<b>Planning Activities</b>	<p><b><i>Establishing overall audit strategy</i></b></p> <p>The auditor shall establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan.</p> <p>In establishing the overall audit strategy, the auditor to consider following aspects:</p> <ul style="list-style-type: none"> <li>• Identify the characteristics of the engagement that define its scope;</li> <li>• Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required;</li> <li>• Consider the factors that, in the auditor's PJ, are significant in directing the ET efforts;</li> <li>• Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the EP for the entity is relevant; and</li> <li>• Ascertain the NTE of resources necessary to perform the engagement.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p><b><i>Developing audit plan</i></b></p> <p>The auditor shall develop an audit plan that shall include a description of:</p> <ul style="list-style-type: none"> <li>• The NTE of planned RAP, as determined under SA 315.</li> <li>• The NTE of planned further audit procedures at the assertion level, as determined under SA 330.</li> <li>• Other planned audit procedures required to be performed so that the engagement complies with SAs.</li> </ul> <p>The auditor shall update and change the overall audit strategy and the audit plan as necessary during the audit.</p> <p>The auditor shall plan the NTE of direction and supervision of ET members and the review of their work.</p>
<p><b>Documentation</b></p>	<p>The auditor shall document:</p> <ul style="list-style-type: none"> <li>• The overall audit strategy;</li> <li>• The audit plan; and</li> <li>• Any significant changes made during the audit engagement to any of them and the reasons for such changes.</li> </ul>
<p><b>Additional Considerations in Initial Audit Engagements</b></p>	<p>The auditor shall undertake the following activities prior to starting an initial audit:</p> <ul style="list-style-type: none"> <li>• Performing procedures required by SA 220 regarding the acceptance of the client relationship and the specific audit engagement; and</li> <li>• Communicating with the predecessor auditor, where there has been a change of auditors, in compliance with relevant ethical requirements.</li> </ul>

## SA 315 - Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment

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### Scope of this SA

This SA deals with the auditor's responsibility to identify and assess the ROMM in the FS, through understanding the entity and its environment, including the entity's internal control.

### Objective

The objective of the auditor is to identify and assess the ROMM, whether due to fraud or error, at the FS and assertion levels, through understanding the entity and its environment, including the entity's internal control, thereby providing a basis for designing and implementing responses to the assessed ROMM. This will help the auditor to reduce the ROMM to an acceptably low level.

### Key Definitions

- **Assertions** – Representations by mgt, explicit or otherwise, that are embodied in the FS, as used by the auditor to consider the different types of potential misstatements that may occur.
- **Internal control** – The process designed, implemented and maintained by TCWG, mgt and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, safeguarding of assets, and compliance with applicable L&R. The term "controls" refers to any aspects of one or more of the components of internal control.
- **Risk assessment procedures** – The audit procedures performed to obtain an understanding of the entity and its environment, including the entity's internal control, to identify and assess the ROMM, whether due to fraud or error, at the FS and assertion levels.
- **Significant risk** – An identified and assessed ROMM that, in the auditor's judgment, requires special audit consideration.

### Requirements of the Standard

Requirements	Description
<b>Risk Assessment Procedures and Related Activities</b>	<p>The auditor shall perform RAP to provide a basis for the identification and assessment of ROMM at the FS and assertion levels. RAP by themselves, however, do not provide SAAE on which to base the audit opinion.</p> <p>The RAP shall include the following:</p> <ul style="list-style-type: none"> <li>• Inquiries of mgt, of appropriate individuals within the internal audit function (if the function exists), and of others within the entity who in the auditor's judgment may have information likely to assist in identifying ROMM due to fraud or error.</li> <li>• Analytical procedures.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"> <li>• Observation and inspection.</li> </ul> <p>The auditor shall consider whether information obtained from the auditor’s client acceptance or continuance process is relevant to identifying ROMM.</p> <p>Where the EP has performed other engagements for the entity, the EP shall consider whether information obtained is relevant to identifying ROMM.</p> <p>When the auditor intends to use information obtained from the auditor’s previous experience with the entity and from audit procedures performed in previous audits, the auditor shall determine whether changes have occurred since the previous audit that may affect its relevance to the current audit.</p> <p>The EP and other key ET members shall discuss the susceptibility of the entity’s FS to MM, and the application of the applicable FRF to the entity’s facts and circumstances. The EP shall determine which matters are to be communicated to ET members not involved in the discussion.</p>
<p><b>The Required Understanding of the Entity and its Environment, Including the Entity’s Internal Control</b></p>	
<p><b><i>The Entity and Its Environment</i></b></p>	<p>The auditor shall obtain an understanding of the following:</p> <ul style="list-style-type: none"> <li>• Relevant industry, regulatory, and other external factors including the applicable FRF.</li> <li>• The nature of the entity, including: <ul style="list-style-type: none"> <li>○ its operations;</li> <li>○ its ownership and governance structures;</li> <li>○ the types of investments that the entity is making and plans to make, including investments in special-purpose entities; and</li> <li>○ the way that the entity is structured and how it is financed;</li> </ul> </li> </ul> <p>to enable the auditor to understand the COTABD to be expected in the FS.</p> <ul style="list-style-type: none"> <li>• The entity’s selection and application of accounting policies, including the reasons for changes thereto. The auditor shall evaluate whether the entity’s accounting policies are appropriate for its business and consistent with the applicable FRF and accounting policies used in the relevant industry.</li> <li>• The entity’s objectives and strategies, and those related business risks that may result in ROMM.</li> <li>• The measurement and review of the entity’s financial performance.</li> </ul>
<p><b><i>The Entity’s Internal Control</i></b></p>	<p>The auditor shall obtain an understanding of internal control relevant to the audit. Although most controls relevant to the audit are likely to relate to financial reporting, not all controls that relate to financial reporting are relevant to the audit. It is a matter of the auditor’s PJ whether a control, individually or in combination with others, is relevant to the audit.</p>

**Ready Referencer on Engagement and Quality Control Standards**

	<p><i>Nature and Extent of the Understanding of Relevant Controls</i></p> <p>When obtaining an understanding of controls that are relevant to the audit, the auditor shall evaluate the design of those controls and determine whether they have been implemented, by performing inquiry and other procedures.</p>
<p><b>Components of Internal Control</b></p>	<p><b>As per SA 315, there are five components of Internal Control</b></p> <ol style="list-style-type: none"> <li>1 Control environment</li> <li>2 The entity's risk assessment process</li> <li>3 The information system, including the related business processes, relevant to financial reporting, and communication</li> <li>4 Control activities relevant to the audit</li> <li>5 Monitoring of controls</li> </ol> <p><b>1. Control environment</b></p> <p>The auditor shall obtain an understanding of the control environment. As part of obtaining this understanding, the auditor shall evaluate whether:</p> <ul style="list-style-type: none"> <li>• Mgt, with the oversight of TCWG, has created and maintained a culture of honesty and ethical behavior; and</li> <li>• The strengths in the control environment elements collectively provide an appropriate foundation for the other components of internal control, and whether those other components are not undermined by deficiencies in the control environment.</li> </ul> <p><b>2. The entity's risk assessment process</b></p> <p>The auditor shall obtain an understanding of whether the entity has a process for:</p> <ul style="list-style-type: none"> <li>• Identifying business risks relevant to financial reporting objectives;</li> <li>• Estimating the significance of the risks;</li> <li>• Assessing the likelihood of their occurrence; and</li> <li>• Deciding about actions to address those risks.</li> </ul> <p>Note: such process is referred as the entity's risk assessment process.</p> <p>If the entity has established such a process, the auditor shall obtain an understanding of it, and the results thereof. Where the auditor identifies ROMM that mgt failed to identify, the auditor shall evaluate whether there was an underlying risk of a kind that the auditor expects would have been identified by the entity's risk assessment process. If there is such a risk, the auditor shall obtain an understanding of why that process failed to identify it, and evaluate whether the process is appropriate to its circumstances or determine if there is a significant deficiency in internal control with regard to the entity's risk assessment process.</p> <p>If the entity has not established such a process or has an ad hoc process, the auditor shall discuss with mgt whether business risks relevant to financial reporting objectives have been identified and how they have been addressed. The auditor shall evaluate whether the</p>

absence of a documented risk assessment process is appropriate in the circumstances, or determine whether it represents a significant deficiency in internal control.

**3. The information system, including the related business processes, relevant to financial reporting, and communication**

The auditor shall obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including the following areas:

- The classes of transactions in the entity's operations significant to the FS;
- The procedures, within both information technology (IT) and manual systems, by which those transactions are initiated, recorded, processed, corrected as necessary, transferred to the general ledger and reported in the FS;
- The related accounting records, supporting information and specific accounts in the FS that are used to initiate, record, process and report transactions; this includes the correction of incorrect information and how information is transferred to the general ledger. The records may be in either manual or electronic form;
- How the information system captures events and conditions, other than transactions, that are significant to the FS;
- The financial reporting process used to prepare the entity's FS, including significant accounting estimates and disclosures;
- Controls surrounding journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments.

The auditor shall obtain an understanding of how the entity communicates financial reporting roles and responsibilities and significant matters relating to financial reporting, including:

- Communications between mgt and TCWG; and
- External communications, such as those with regulatory authorities.

**4. Control activities relevant to the audit**

The auditor shall obtain an understanding of control activities relevant to the audit, being those the auditor judges it necessary to understand in order to assess the ROMM at the assertion level and design further audit procedures responsive to assessed risks. An audit requires an understanding of only those control activities related to significant COTABD in the FS and the assertions which the auditor finds relevant in his risk assessment process.

In understanding the entity's control activities, the auditor shall obtain an understanding of how the entity has responded to risks arising from IT.

**5. Monitoring of controls**

The auditor shall obtain an understanding of the major activities that the entity uses to monitor internal control over financial reporting, including



**Ready Referencer on Engagement and Quality Control Standards**

	<p>those related to those control activities relevant to the audit, and how the entity initiates remedial actions to deficiencies in its controls.</p> <p>If the entity has an internal audit function, the auditor shall obtain an understanding of the nature of the internal audit function's responsibilities, its organisational status, and the activities performed, or to be performed.</p> <p>The auditor shall obtain an understanding of the sources of the information used in the entity's monitoring activities, and the basis upon which mgt considers the information to be sufficiently reliable for the purpose.</p>
<p><b>Identifying and Assessing the Risks of Material Misstatement</b></p>	
	<p>The auditor shall identify and assess the ROMM at:</p> <ul style="list-style-type: none"> <li>• the FS level; and</li> <li>• the assertion level for COTABD;</li> </ul> <p>to provide a basis for designing and performing further audit procedures.</p> <p>For this purpose, the auditor shall:</p> <ul style="list-style-type: none"> <li>• Identify risks throughout the process of obtaining an understanding of the entity and its environment, including relevant controls that relate to the risks, and by considering the COTABD in the FS;</li> <li>• Assess the identified risks, and evaluate whether they relate more pervasively to the FS as a whole and potentially affect many assertions;</li> <li>• Relate the identified risks to what can go wrong at the assertion level, taking account of relevant controls that the auditor intends to test; and</li> </ul> <p>Consider the likelihood of misstatement, including the possibility of multiple misstatements, and whether the potential misstatement is of a magnitude that could result in a MM.</p>
<p><b><i>Risks that Require Special Audit Consideration</i></b></p>	<p>As part of the risk assessment at the FS level and the assertion level as described above, the auditor shall determine whether any of the risks identified are, in the auditor's judgment, a significant risk. In exercising this judgment, the auditor shall exclude the effects of identified controls related to the risk.</p> <p>In exercising judgment as to which risks are significant risks, the auditor shall consider at least the following:</p> <ul style="list-style-type: none"> <li>• Whether the risk is a risk of fraud;</li> <li>• Whether the risk is related to recent significant economic, accounting, or other developments like changes in regulatory environment, etc., and, therefore, requires specific attention;</li> <li>• The complexity of transactions;</li> <li>• Whether the risk involves significant transactions with related parties;</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"> <li>• The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty; and</li> <li>• Whether the risk involves significant transactions outside the normal course of business for the entity, or that otherwise appear unusual.</li> </ul> <p>When the auditor has determined that a significant risk exists, the auditor shall obtain an understanding of the entity’s controls, including control activities, relevant to that risk.</p>
<p><b><i>Risks for Which Substantive Procedures Alone Do Not Provide Sufficient Appropriate Audit Evidence</i></b></p>	<p>In respect of some risks, the auditor may judge that it is not possible or practicable to obtain SAAE only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity’s controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.</p>
<p><b><i>Revision of Risk Assessment</i></b></p>	<p>The auditor’s assessment of the ROMM at the assertion level may change during the audit as additional AE is obtained. In circumstances where the auditor obtains AE from performing further audit procedures, or if new information is obtained, either of which is inconsistent with the AE on which the auditor originally based the assessment, the auditor shall revise the assessment and modify the further planned audit procedures accordingly.</p>
<p><b>Documentation</b></p>	<p>The auditor shall document:</p> <ul style="list-style-type: none"> <li>• The discussion among the ET regarding the susceptibility of the entity’s FS to MM and the application of applicable FRF to the entity’s facts and circumstances and the significant decisions reached;</li> <li>• Key elements of the understanding obtained regarding each of the aspects of the entity and its environment and of each of the internal control components; the sources of information from which the understanding was obtained; and the RAP performed;</li> <li>• The identified and assessed ROMM at the FS level and at the assertion level; and</li> <li>• The risks identified, and related controls about which the auditor has obtained an understanding, as a result of the requirements regarding the significant risks and the risks for which substantive procedures alone do not provide SAAE.</li> </ul>

## **SA 320 - Materiality in Planning and Performing an Audit**

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### **Scope of this SA**

This SA deals with the auditor's responsibility to apply the concept of materiality in planning and performing an audit of FS. SA 450 explains how materiality is applied in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the FS.

### **Materiality in the Context of an Audit**

FRF often discuss the concept of materiality in the context of the preparation and presentation of FS. Although FRF may discuss materiality differently, they generally explain that:

- 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 FS;
- Judgments about materiality are made in the light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and
- Judgments about matters that are material to users of the FS are based on a consideration of the common FI needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

If such a discussion is present in the applicable FRF, it provides a frame of reference to the auditor in determining materiality for the audit. If the applicable FRF does not include a discussion of the concept of materiality, the characteristics referred to above provide such a frame of reference to auditor.

The auditor's determination of materiality is a matter of PJ, and is affected by the auditor's perception of the FI needs of users of the FS.

The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the FS and in forming the opinion in the AR.

In planning the audit, the auditor makes judgments about the size of misstatements that will be considered material. These judgments provide a basis for:

- Determining the NTE of RAP;
- Identifying and assessing the ROMM; and
- Determining the NTE of further audit procedures.

### **Objective**

The objective of the auditor is to apply the concept of materiality appropriately in planning and performing the audit.

### **Key Definition**

**Performance materiality** means the amount or amounts set by the auditor at less than materiality for the FS as a whole to reduce to an appropriately low level the probability that the

**Ready Referencer on Engagement and Quality Control Standards**

aggregate of uncorrected and undetected misstatements exceeds materiality for the FS as a whole. If applicable, performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.

**Requirements of the Standard**

Requirements	Description
<p><b>Determining Materiality and Performance Materiality when Planning the Audit</b></p>	<p><b><i>Determining materiality</i></b></p> <p>When establishing the overall audit strategy, the auditor shall determine materiality for the FS as a whole. If, in the specific circumstances of the entity, there is one or more particular classes of transactions, account balances or disclosures (COTABD) for which misstatements of lesser amounts than the materiality for the FS as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the FS, the auditor shall also determine the materiality level or levels to be applied to those particular COTABD.</p> <p>The auditor shall determine performance materiality for purposes of assessing the ROMM and determining the NTE of further audit procedures.</p>
<p><b>Revision as the Audit Progresses</b></p>	<p>The auditor shall revise materiality for the FS as a whole (and, if applicable, the materiality level or levels for particular COTABD) if auditor becomes aware of information that would have caused the auditor to have determined a different amount(s) initially.</p> <p>If the auditor concludes that a lower materiality for the FS as a whole (and, if applicable, materiality level or levels for particular COTABD) than initial determination is appropriate, the auditor shall determine whether it is necessary to revise performance materiality, and whether the NTE of the further audit procedures remain appropriate.</p>
<p><b>Documentation</b></p>	<p>The audit documentation shall include the following amounts and the factors considered in their determination:</p> <ul style="list-style-type: none"> <li>• Materiality for the FS as a whole</li> <li>• If applicable, the materiality level or levels for particular COTABD</li> <li>• Performance materiality and</li> <li>• Any revision of above points as the audit progressed</li> </ul>

## SA 330 - The Auditor's Responses to Assessed Risks

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### Scope of this SA

This SA deals with the auditor's responsibility to design and implement responses to the ROMM identified and assessed by the auditor in accordance with SA 315 in a FS audit.

### Objective

The objective of the auditor is to obtain SAAE about the assessed ROMM, through designing and implementing appropriate responses to those risks.

### Key Definitions

- **Substantive procedure** – An audit procedure designed to detect MM at the assertion level. Substantive procedures comprise:
  - Tests of details (of classes of transactions, account balances, and disclosures), and
  - Substantive analytical procedures.
- **Test of controls** – An audit procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, MM at the assertion level.

### Requirements of the Standard

Requirements	Description
<b>Overall Responses</b>	The auditor shall design and implement overall responses to address the assessed ROMM at the FS level.
<b>Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level</b>	
	<p>The auditor shall design and perform further audit procedures whose NTE are based on and are responsive to the assessed ROMM at the assertion level.</p> <p>In designing the further audit procedures to be performed, the auditor shall:</p> <ul style="list-style-type: none"> <li>• Consider the reasons for the assessment given to the ROMM at the assertion level for each COTABD, including:           <ul style="list-style-type: none"> <li>○ The likelihood of MM due to the particular characteristics of the relevant COTABD (i.e., the inherent risk); and</li> <li>○ Whether the risk assessment takes into account the relevant controls (i.e., the control risk), thereby requiring the auditor to obtain AE to determine whether the controls are operating effectively (i.e., the auditor intends to rely on the operating effectiveness of controls in determining the NTE of substantive procedures); and</li> </ul> </li> <li>• Obtain more persuasive AE the higher the auditor's assessment of risk.</li> </ul>

**Tests of Controls**

The auditor shall design and perform tests of controls to obtain SAAE as to the operating effectiveness of relevant controls when:

- The auditor’s assessment of ROMM at the assertion level includes an expectation that the controls are operating effectively (i.e., the auditor intends to rely on the operating effectiveness of controls in determining the NTE of substantive procedures); or
- Substantive procedures alone cannot provide SAAE at the assertion level.

In designing and performing tests of controls, the auditor shall obtain more persuasive AE the greater the reliance the auditor places on the effectiveness of a control.

**Nature and Extent of Tests of Controls**

In designing and performing tests of controls, the auditor shall:

- Perform other audit procedures in combination with inquiry to obtain AE about the operating effectiveness of the controls, including:
  - How the controls were applied at relevant times during the period under audit.
  - The consistency with which they were applied.
  - By whom or by what means they were applied.
- Determine whether the controls to be tested depend upon other controls (indirect controls), and if so, whether it is necessary to obtain AE supporting the effective operation of those indirect controls.

**Timing of Tests of Controls**

The auditor shall test controls for the particular time, or throughout the period, for which the auditor intends to rely on those controls to provide an appropriate basis for the auditor’s intended reliance.

**Using audit evidence obtained during an interim period**

When the auditor obtains AE about the operating effectiveness of controls during an interim period, the auditor shall:

- Obtain AE about significant changes to those controls subsequent to the interim period; and
- Determine the additional AE to be obtained for the remaining period.

**Using audit evidence obtained in previous audits**

In determining whether it is appropriate to use AE about the operating effectiveness of controls obtained in previous audits, and, if so, the length of the time period that may elapse before retesting a control, the auditor shall consider the following:

- The effectiveness of other elements of internal control, including the control environment, the entity’s monitoring of controls, and the

## Ready Referencer on Engagement and Quality Control Standards

	<p>entity's risk assessment process;</p> <ul style="list-style-type: none"><li>• The risks arising from the characteristics of the control, including whether it is manual or automated;</li><li>• The effectiveness of general IT-controls;</li><li>• The effectiveness of the control and its application by the entity, including the nature and extent of deviations in the application of the control noted in previous audits, and whether there have been personnel changes that significantly affect the application of the control;</li><li>• Whether the lack of a change in a particular control poses a risk due to changing circumstances; and</li><li>• The ROMM and the extent of reliance on the control.</li></ul> <p>If the auditor plans to use AE from a previous audit about the operating effectiveness of specific controls, the auditor shall establish the continuing relevance of that evidence by obtaining AE about whether significant changes in those controls have occurred subsequent to the previous audit. The auditor shall obtain this evidence by performing inquiry and observation or inspection, to confirm the understanding of those specific controls, and:</p> <ul style="list-style-type: none"><li>• If there have been changes that affect the continuing relevance of the AE from the previous audit, the auditor shall test the controls in the current audit.</li><li>• If no such changes, the auditor shall test the controls at least once in every third audit, and shall test some controls each audit to avoid the possibility of testing all the controls on which the auditor intends to rely in a single audit period with no testing of controls in the subsequent two audit periods.</li></ul> <p><b>Controls over significant risks</b></p> <p>When the auditor plans to rely on controls over a significant risk, the auditor shall test those controls in the current period.</p> <p><b>Evaluating the Operating Effectiveness of Controls</b></p> <p>When evaluating the operating effectiveness of relevant controls, the auditor shall evaluate whether misstatements detected by substantive procedures indicate that controls are not operating effectively. The absence of such misstatements, however, does not provide AE that controls related to the assertion being tested are effective.</p> <p>When deviations from controls upon which the auditor intends to rely are detected, the auditor shall make specific inquiries to understand these matters and their potential consequences, and determine whether:</p> <ul style="list-style-type: none"><li>• The tests of controls performed provide an appropriate basis for reliance on the controls;</li></ul>
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**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"> <li>• Additional tests of controls are necessary; or</li> <li>• The potential risks of misstatement need to be addressed using substantive procedures.</li> </ul>
<p><b>Substantive Procedures</b></p>	<p>Irrespective of the assessed ROMM, the auditor shall design and perform substantive procedures for each material COTABD.</p> <p>The auditor shall consider whether external confirmation procedures are to be performed as substantive audit procedures.</p> <p><b>Substantive Procedures Related to the Financial Statement Closing Process</b></p> <p>The auditor’s substantive procedures shall include the following audit procedures related to the FS closing process:</p> <ul style="list-style-type: none"> <li>• Agreeing or reconciling the FS with the underlying accounting records; and</li> <li>• Examining material journal entries and other adjustments made during the course of preparing the FS.</li> </ul> <p><b>Substantive Procedures Responsive to Significant Risks</b></p> <p>When the auditor has determined that an assessed ROMM at the assertion level is a significant risk, the auditor shall perform substantive procedures specifically responsive to that risk. When the approach to a significant risk consists only of substantive procedures, those procedures shall include tests of details.</p> <p><b>Timing of Substantive Procedures</b></p> <p>When substantive procedures are performed at an interim date, the auditor shall cover the remaining period by performing:</p> <ul style="list-style-type: none"> <li>• substantive procedures, combined with tests of controls for the intervening period; or</li> <li>• if the auditor determines that it is sufficient, further substantive procedures only;</li> </ul> <p>that provide a reasonable basis for extending the audit conclusions from the interim date to the period end.</p> <p>If misstatements not expected when assessing the ROMM are detected at an interim date, the auditor shall evaluate whether the related assessment of risk and the planned NTE of substantive procedures covering the remaining period need to be modified.</p>
<p><b>Adequacy of Presentation and Disclosure</b></p>	<p>The auditor shall perform audit procedures to evaluate whether the overall presentation of the FS, including the related disclosures, is in accordance with the applicable FRF.</p>
<p><b>Evaluating the Sufficiency and Appropriateness of</b></p>	<p>Based on the audit procedures performed and the AE obtained, the auditor shall evaluate before the conclusion of the audit whether the assessments of the ROMM at the assertion level remain appropriate.</p>



**Ready Referencer on Engagement and Quality Control Standards**

<b>Audit Evidence</b>	<p>The auditor shall conclude whether SAAE has been obtained. In forming an opinion, the auditor shall consider all relevant AE, regardless of whether it appears to corroborate or to contradict the assertions in the FS.</p> <p>If the auditor has not obtained SAAE as to a material FS assertion, the auditor shall attempt to obtain further AE. If the auditor is unable to obtain SAAE, the auditor shall express qualified / disclaimer of opinion.</p>
<b>Documentation</b>	<p>The auditor shall document:</p> <ul style="list-style-type: none"><li>• The overall responses to address the assessed ROMM at the FS level, and the NTE of the further audit procedures performed;</li><li>• The linkage of those procedures with the assessed risks at the assertion level; and</li><li>• The results of the audit procedures, including the conclusions where these are not otherwise clear.</li></ul> <p>If the auditor plans to use AE about the operating effectiveness of controls obtained in previous audits, the auditor shall document the conclusions reached about relying on such controls that were tested in a previous audit.</p> <p>The auditors' documentation shall demonstrate that the FS agree or reconcile with the underlying accounting records.</p>

## SA 402 - Audit Considerations Relating to an Entity Using a Service Organisation

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### Scope of this SA

This SA deals with the user auditor's (UA) responsibility to obtain SAAE when a user entity (UE) uses the services of one or more service organisations (SO). Specifically, it expands on how the UA applies SA 315 and SA 330 in obtaining an understanding of the UE, including internal control relevant to the audit, sufficient to identify and assess the ROMM and in designing and performing further audit procedures responsive to those risks.

Services provided by a SO are relevant to the audit of FS of UE when those services, and the controls over them, are part of the UE's information system, including related business processes, relevant to financial reporting. Although most controls at the SO are likely to relate to financial reporting, there may be other controls that may also be relevant to the audit, such as controls over the safeguarding of assets.

The nature and extent of work to be performed by the UA regarding the services provided by a SO depend on the nature and significance of those services to the UE and the relevance of those services to the audit.

This SA does not apply to services provided by financial institutions that are limited to processing, for an entity's account held at the financial institution, transactions that are specifically authorised by the entity, such as the processing of checking account transactions by a bank or the processing of securities transactions by a broker. Further, this SA does not apply to the audit of transactions arising from proprietary financial interests in other entities, such as partnerships, corporations and joint ventures, when proprietary interests are accounted for and reported to interest holders.

### Objectives

The objectives of the UA, when the UE uses the services of a SO, are:

- To obtain an understanding of the nature and significance of the services provided by the SO and their effect on the UE's internal control relevant to the audit, sufficient to identify and assess the ROMM; and
- To design and perform audit procedures responsive to those risks.

### Key Definitions

- **Complementary user entity controls** – Controls that the SO assumes, in the design of its service, will be implemented by UE, and which, if necessary to achieve control objectives, are identified in the description of its system.
- **Report on the description and design of controls at a service organisation** (*referred to in this SA as a Type 1 report*) – A report that comprises:
  - A description, prepared by mgt of the SO, of the SO system, control objectives and related controls that have been designed and implemented as at a specified date; and
  - A report by the service auditor with the objective of conveying reasonable assurance that includes the service auditor's opinion on the description of the SO system, control objectives and related controls and the suitability of the design of the controls to achieve the specified control objectives.

- **Report on the description, design, and operating effectiveness of controls at a service organisation** (referred to in this SA as a Type 2 report) – A report that comprises:
  - A description, prepared by mgt of the SO, of the SO system, control objectives and related controls, their design and implementation as at a specified date or throughout a specified period and, in some cases, their operating effectiveness throughout a specified period; and
  - A report by the service auditor with the objective of conveying reasonable assurance that includes:
    - The service auditor’s opinion on the description of the SO system, control objectives and related controls, the suitability of the design of the controls to achieve the specified control objectives, and the operating effectiveness of the controls; and
    - A description of the service auditor’s tests of the controls and the results thereof.
- **Service auditor** – An auditor who, at the request of the SO, provides an assurance report on the controls of a SO.
- **Service organisation** – A third-party organisation (or segment of a third-party organisation) that provides services to user entities that are part of those entities’ information systems relevant to financial reporting.
- **Service organisation’s system** – The policies and procedures designed, implemented and maintained by the SO to provide user entities with the services covered by the service AR.
- **Subservice organisation** – A SO used by another SO to perform some of the services provided to user entities that are part of those user entities’ information systems relevant to financial reporting.
- **User auditor** – An auditor who audits and reports on the FS of a UE.
- **User entity** – An entity that uses a SO and whose FS are being audited.

## Requirements of the Standard

Requirements	Description
<b>Obtaining an Understanding of the Services Provided by a Service Organisation, Including Internal Control</b>	
	<p>When obtaining an understanding of the UE in accordance with SA 315, the UA shall obtain an understanding of how a UE uses the services of a SO in the UE operations, including:</p> <ul style="list-style-type: none"> <li>• The nature of the services provided by the SO and the significance thereof to the user entity, including the effect thereof on the UE internal control;</li> <li>• The nature and materiality of the transactions processed or accounts or financial reporting processes affected by the SO;</li> <li>• The degree of interaction between the activities of the SO and those of the UE; and</li> <li>• The nature of the relationship between the UE and the SO, including the relevant contractual terms for the activities undertaken by the SO.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>When obtaining an understanding of internal control relevant to the audit in accordance with SA 315, the UA shall evaluate the design and implementation of relevant controls at the UE that relate to the services provided by the SO, including those that are applied to the transactions processed by the SO.</p> <p>The UA shall determine whether a sufficient understanding of the nature and significance of the services provided by the SO and their effect on the UE internal control relevant to the audit has been obtained to provide a basis for the identification and assessment of ROMM.</p> <p>If the UA is unable to obtain a sufficient understanding from the UE, the UA shall obtain that understanding from one or more of the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtaining a Type 1 or Type 2 report, if available;</li> <li>• Contacting the SO, through the UE, to obtain specific information;</li> <li>• Visiting the SO and performing procedures that will provide the necessary information about the relevant controls at the SO; or</li> <li>• Using another auditor to perform procedures that will provide the necessary information about the relevant controls at the SO.</li> </ul>
<p><b><i>Using a Type 1 or Type 2 Report to Support the User Auditor’s Understanding of the Service Organisation</i></b></p>	<p>In determining the sufficiency and appropriateness of the AE provided by a Type 1 or Type 2 report, the UA shall be satisfied as to:</p> <ul style="list-style-type: none"> <li>• The service auditor’s professional competence (except where the service auditor is a member of the ICAI) and independence from the SO; and</li> <li>• The adequacy of the standards under which the Type 1 or Type 2 report was issued.</li> </ul> <p>If the UA plans to use a Type 1 or Type 2 report as AE to support the UA understanding about the design and implementation of controls at the SO, the UA shall:</p> <ul style="list-style-type: none"> <li>• Evaluate whether the description and design of controls at the SO is at a date or for a period that is appropriate for the UA purposes;</li> <li>• Evaluate the sufficiency and appropriateness of the evidence provided by the report for the understanding of the UE internal control relevant to the audit; and</li> <li>• Determine whether complementary user entity controls identified by the SO are relevant to the UE and, if so, obtain an understanding of whether the UE has designed and implemented such controls.</li> </ul>
<p><b>Responding to the Assessed Risks of Material Misstatement</b></p>	
	<p>In responding to assessed risks in accordance with SA 330, the UA shall:</p> <ul style="list-style-type: none"> <li>• Determine whether SAAE concerning the relevant FS assertions is available from records held at the UE; and, if not,</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"> <li>• Perform further audit procedures to obtain SAAE or use another auditor to perform those procedures at the SO on the UA behalf.</li> </ul>
<b>Tests of Controls</b>	<p>When the UA risk assessment includes an expectation that controls at the SO are operating effectively, the UA shall obtain AE about the operating effectiveness of those controls from one or more of the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtaining a Type 2 report, if available;</li> <li>• Performing appropriate tests of controls at the SO; or</li> <li>• Using another auditor to perform tests of controls at the SO on behalf of the UA.</li> </ul> <p><b><i>Using a Type 2 Report as Audit Evidence that Controls at the Service Organisation Are Operating Effectively</i></b></p> <p>If, in accordance with paragraph above, the UA plans to use a Type 2 report as AE that controls at the SO are operating effectively, the UA shall determine whether the service AR provides SAAE about the effectiveness of the controls to support the UA risk assessment by:</p> <ul style="list-style-type: none"> <li>• Evaluating whether the description, design and operating effectiveness of controls at the SO is at a date or for a period that is appropriate for the UA purposes;</li> <li>• Determining whether complementary user entity controls identified by the SO are relevant to the UE and, if so, obtaining an understanding of whether the UE has designed and implemented such controls and, if so, testing their operating effectiveness;</li> <li>• Evaluating the adequacy of the time period covered by the tests of controls and the time elapsed since the performance of the tests of controls; and</li> <li>• Evaluating whether the tests of controls performed by the service auditor and the results thereof, as described in the service AR, are relevant to the assertions in the user entity FS and provide SAAE to support the UA risk assessment.</li> </ul>
<b>Type 1 and Type 2 Reports that Exclude the Services of a Subservice Organisation</b>	<p>If the UA plans to use a Type 1 or a Type 2 report that excludes the services provided by a subservice organisation and those services are relevant to the audit of the user entity FS, the UA shall apply the requirements of this SA w.r.t. the services provided by the subservice organisation.</p>
<b>Fraud, Non-Compliance with Laws and Regulations and Uncorrected Misstatements in Relation to</b>	<p>The UA shall inquire of mgt of the UE whether the SO has reported to the UE, or whether the UE is otherwise aware of, any fraud, non-compliance with L&amp;R or uncorrected misstatements affecting the FS of the UE. The UA shall evaluate how such matters affect the NTE of the UA further audit procedures, including the effect on the UA conclusions and UA report.</p>

**Ready Referencer on Engagement and Quality Control Standards**

<b>Activities at the Service Organisation</b>	
<b>Reporting by the User Auditor</b>	<p>The UA shall modify the audit opinion in accordance with SA 705(Revised) if the UA is unable to obtain SAAE regarding the services provided by the SO relevant to the audit of the UE FS.</p> <p>The UA shall not refer to the work of a service auditor in the UA report containing an unmodified opinion unless required by L&amp;R to do so. If such reference is required by L&amp;R, the UA report shall indicate that the reference does not diminish the UA responsibility for the audit opinion.</p> <p>If reference to the work of a service auditor is relevant to an understanding of a modification to the UA opinion, the UA report shall indicate that such reference does not diminish the UA responsibility for that opinion.</p>

## SA 450 - Evaluation of Misstatements Identified During the Audit

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### Scope of this SA

This SA deals with the auditor's responsibility to evaluate the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the FS. The auditor's conclusion required by SA 700 (Revised) about whether the FS as a whole are free from MM, takes into account, the auditor's evaluation of uncorrected misstatements, if any, on the FS, in accordance with this SA. SA 320 deals with the auditor's responsibility to apply the concept of materiality appropriately in planning and performing an audit of FS.

### Objective

The objective of the auditor is to evaluate the effect of:

- Identified misstatements on the audit; and
- Uncorrected misstatements, if any, on the FS.

### Key Definitions

- **Misstatement** – A difference between the amount, classification, presentation, or disclosure of a reported FS item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable FRF. Misstatements can arise from error or fraud.

When the auditor expresses an opinion on whether the FS give a true and fair view or are presented fairly, in all material respects, misstatements also include those adjustments of amounts, classifications, presentation, or disclosures that, in the auditor's judgment, are necessary for the FS to give a true and fair view or present fairly, in all material respects.

- **Uncorrected misstatements** – Misstatements that the auditor has accumulated during the audit and that have not been corrected.

### Requirements of the Standard

Requirements	Description
<b>Accumulation of Identified Misstatements</b>	The auditor shall accumulate misstatements identified during the audit, other than clearly trivial misstatements.
<b>Consideration of Identified Misstatements as the Audit Progresses</b>	<p>The auditor shall determine whether the overall audit strategy and audit plan need revision if:</p> <ul style="list-style-type: none"> <li>• The nature of identified misstatements and the circumstances of their occurrence indicate that other misstatements may exist that, when aggregated with misstatements accumulated during the audit, could be material; or</li> <li>• The aggregate of misstatements accumulated during the audit approaches materiality determined in accordance with SA 320.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	If, on auditor's request, mgt has examined a COTABD and corrected detected misstatements, the auditor shall perform additional audit procedures to determine whether misstatements remain.
<b>Communication and Correction of Misstatements</b>	<p>The auditor shall communicate on a timely basis all misstatements accumulated during the audit with the appropriate level of mgt, unless prohibited by L&amp;R and request mgt to correct those misstatements.</p> <p>If mgt refuses to correct some or all of such misstatements, the auditor shall obtain an understanding of mgt reasons for not making the corrections and take that understanding into account when evaluating whether the FS as a whole are free from MM.</p>
<b>Evaluating the Effect of Uncorrected Misstatements</b>	
	<p>Before evaluating the effect of uncorrected misstatements, the auditor shall reassess materiality determined in accordance with SA 320 to confirm whether it remains appropriate in the context of the entity's actual financial results.</p> <p>The auditor shall determine whether uncorrected misstatements are material, individually or in aggregate. In making this determination, the auditor to consider following aspects:</p> <ul style="list-style-type: none"> <li>• The size and nature of the misstatements, both in relation to particular COTABD and the FS as a whole, and the particular circumstances of their occurrence; and</li> <li>• The effect of uncorrected misstatements related to prior periods on the relevant COTABD, and the FS as a whole.</li> </ul>
<b>Communication with Those Charged with Governance</b>	<p>The auditor shall communicate with TCWG uncorrected misstatements and the effect that they, individually or in aggregate, may have on auditor's opinion, unless prohibited by L&amp;R. Such communication shall identify material uncorrected misstatements individually. The auditor shall request correction of uncorrected misstatements.</p> <p>The auditor shall also communicate with TCWG the effect of uncorrected misstatements related to prior periods on the relevant COTABD, and the FS as a whole.</p>
<b>Written Representation</b>	The auditor shall request WR from mgt and, where appropriate, TCWG whether they believe the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the FS as a whole. A summary of such items shall be included in or attached to the WR.
<b>Documentation</b>	<p>The audit documentation shall include:</p> <ul style="list-style-type: none"> <li>• The amount below which misstatements would be regarded as clearly trivial</li> <li>• All misstatements accumulated during the audit and whether they have been corrected and</li> <li>• The auditor's conclusion as to whether uncorrected misstatements are material, individually or in aggregate, and the basis for that conclusion.</li> </ul>



## SA 500, Audit Evidence

### Scope of this SA

This SA explains what constitutes AE in an audit of FS, and deals with the auditor's responsibility to design and perform audit procedures to obtain SAAE to be able to draw reasonable conclusions on which to base the auditor's opinion.

This SA is applicable to all the AE obtained during the course of the audit. Other SAs deal with specific aspects of the audit (for example, SA 315), the AE to be obtained in relation to a particular topic (for example, SA 570(Revised)), specific procedures to obtain AE (for example, SA 520), and the evaluation of whether SAAE has been obtained (SA 200 and SA 330).

### Objective

The objective of the auditor is to design and perform audit procedures in such a way as to enable the auditor to obtain SAAE to be able to draw reasonable conclusions on which to base the auditor's opinion.

### Key Definitions

- **Accounting records** – The records of initial accounting entries and supporting records, such as checks and records of electronic fund transfers; invoices; contracts; the general and subsidiary ledgers, journal entries and other adjustments to the FS that are not reflected in journal entries; and records such as work sheets and spreadsheets supporting cost allocations, computations, reconciliations and disclosures.
- **Appropriateness (of audit evidence)** – The measure of the quality of AE; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based.
- **Audit evidence** – Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. AE includes both information contained in the accounting records underlying the FS and information obtained from other sources.
- **Management's expert** – An individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the FS.
- **Sufficiency (of audit evidence)** – The measure of the quantity of AE. The quantity of the AE needed is affected by the auditor's assessment of the ROMM and also by the quality of such AE.

### Requirements of the Standard

Requirements	Description
<b>Sufficient Appropriate Audit Evidence</b>	The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining SAAE.
<b>Information to be Used as Audit Evidence</b>	When designing and performing audit procedures, the auditor shall consider the relevance and reliability of the information to be used as AE.

**Ready Referencer on Engagement and Quality Control Standards**

	<p>When information to be used as AE has been prepared using the work of a mgt's expert, the auditor shall, to the extent necessary, having regard to the significance of that expert's work for the auditor's purposes:</p> <ul style="list-style-type: none"> <li>• Evaluate the competence, capabilities and objectivity of that expert;</li> <li>• Obtain an understanding of the work of that expert; and</li> <li>• Evaluate the appropriateness of that expert's work as AE for the relevant assertion.</li> </ul> <p>When using information produced by the entity, the auditor shall evaluate whether the information is sufficiently reliable for the auditor's purposes, including as necessary in the circumstances:</p> <ul style="list-style-type: none"> <li>• Obtaining AE about the accuracy and completeness of the information; and</li> <li>• Evaluating whether the information is sufficiently precise and detailed for the auditor's purposes.</li> </ul>
<p><b>Selecting Items for Testing to Obtain Audit Evidence</b></p>	<p>When designing TOC and TOD, the auditor shall determine means of selecting items for testing that are effective in meeting the purpose of the audit procedure.</p>
<p><b>Inconsistency in, or Doubts over Reliability of, Audit Evidence</b></p>	<p>If:</p> <ul style="list-style-type: none"> <li>• AE obtained from one source is inconsistent with that obtained from another; or</li> <li>• the auditor has doubts over the reliability of information to be used as AE,</li> </ul> <p>The auditor shall determine what modifications or additions to audit procedures are necessary to resolve the matter, and shall consider the effect of the matter, if any, on other aspects of the audit.</p>

## SA 501 - Audit Evidence - Specific Considerations for Selected Items

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### Scope of this SA

This SA deals with specific considerations by the auditor in obtaining SAAE in accordance with SA 330, SA 500 and other relevant SAs, with respect to certain aspects of inventory, litigation and claims involving the entity, and segment information in an audit of FS.

### Objective

The objective of the auditor is to obtain SAAE regarding the:

- Existence and condition of inventory;
- Completeness of litigation and claims involving the entity; and
- Presentation and disclosure of segment information in accordance with the applicable FRF.

### Requirements of the Standard

Requirements	Description
<b>Inventory</b>	<p>When inventory is material to the FS, the auditor shall obtain SAAE regarding the existence and condition of inventory by:</p> <ul style="list-style-type: none"> <li>• Attendance at physical inventory counting, unless impracticable, to: <ul style="list-style-type: none"> <li>○ Evaluate mgt's instructions and procedures for recording and controlling the results of the entity's physical inventory counting;</li> <li>○ Observe the performance of mgt's count procedures;</li> <li>○ Inspect the inventory; and</li> <li>○ Perform test counts; and</li> </ul> </li> <li>• Performing audit procedures over the entity's final inventory records to determine whether they accurately reflect actual inventory count results.</li> </ul> <p>If physical inventory counting is conducted at a date other than the date of the FS, the auditor shall, in addition to the procedures required as mentioned above, perform audit procedures to obtain AE about whether changes in inventory between the count date and the date of the FS are properly recorded.</p> <p>If the auditor is unable to attend physical inventory counting due to unforeseen circumstances, the auditor shall make/ observe some physical counts on an alternative date, and perform audit procedures on intervening transactions.</p> <p>If attendance at physical inventory counting is impracticable, the auditor shall perform alternative audit procedures to obtain SAAE regarding the existence and condition of inventory. If it is not possible to do so, the</p>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>auditor shall modify the opinion in the AR in accordance with SA 705(Revised).</p> <p>When inventory under the custody and control of a third party is material to the FS, the auditor shall obtain SAAE regarding the existence and condition of that inventory by performing one or both of the following:</p> <ul style="list-style-type: none"> <li>• Request confirmation from the third party as to the quantities and condition of inventory held on behalf of the entity.</li> <li>• Perform inspection or other audit procedures appropriate in the circumstances.</li> </ul>
<p><b>Litigation and Claims</b></p>	
	<p>The auditor shall design and perform audit procedures in order to identify litigation and claims involving the entity which may give rise to a ROMM, including:</p> <ul style="list-style-type: none"> <li>• Inquiry of mgt and, where applicable, others within the entity, including in-house legal counsel;</li> <li>• Reviewing minutes of meetings of TCWG and correspondence between the entity and its external legal counsel; and</li> <li>• Reviewing legal expense accounts.</li> </ul> <p>If the auditor assesses a ROMM regarding litigation or claims that have been identified, or when audit procedures performed indicate that other material litigation or claims may exist, the auditor shall, in addition to the procedures required by other SAs, seek direct communication with the entity’s external legal counsel. The auditor shall do so through a letter of inquiry, prepared by mgt and sent by the auditor, requesting the entity’s external legal counsel to communicate directly with the auditor. If law, regulation or the respective legal professional body prohibits the entity’s external legal counsel from communicating directly with the auditor, the auditor shall perform alternative audit procedures.</p> <p>If:</p> <ul style="list-style-type: none"> <li>• Mgt refuses to give the auditor permission to communicate or meet with the entity’s external legal counsel, or the entity’s external legal counsel refuses to respond appropriately to the letter of inquiry, or is prohibited from responding; and</li> <li>• the auditor is unable to obtain SAAE by performing alternative audit procedures, the auditor shall modify the auditor’s opinion in accordance with SA 705(Revised).</li> </ul>
<p><b>Written Representations</b></p>	<p>The auditor shall request mgt and, where appropriate, TCWG to provide WR that all known actual or possible litigation and claims whose effects should be considered when preparing the FS have been disclosed to the auditor and appropriately accounted for and disclosed in accordance with the applicable FRF.</p>

**Ready Referencer on Engagement and Quality Control Standards**

<b>Segment Information</b>	<p>The auditor shall obtain SAAE regarding the presentation and disclosure of segment information in accordance with the applicable FRF by:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of the methods used by mgt in determining segment information, and:<ul style="list-style-type: none"><li>○ Evaluating whether such methods are likely to result in disclosure in accordance with the applicable FRF; and</li><li>○ Where appropriate, testing the application of such methods; and</li></ul></li><li>• Performing analytical procedures or other audit procedures appropriate in the circumstances.</li></ul>
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## SA 505 - External Confirmations

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### Scope of this SA

This SA deals with the auditor's use of External Confirmation Procedures (ECPs) to obtain AE in accordance with the requirements of SA 330 and SA 500. It does not address inquiries regarding litigation and claims. SA 501 deals with obtaining SAAE from such inquiries.

### External Confirmation Procedures to Obtain Audit Evidence

SA 500 indicates that the reliability of AE is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained. That SA also includes the following generalisations applicable to AE:

- AE is more reliable when it is obtained from independent sources outside the entity.
- AE obtained directly by the auditor is more reliable than AE obtained indirectly or by inference.
- AE is more reliable when it exists in documentary form, whether paper, electronic or other medium.

Accordingly, depending on the circumstances of the audit, AE in the form of external confirmations received directly by the auditor from confirming parties may be more reliable than evidence generated internally by the entity. This SA is intended to assist the auditor in designing and performing ECPs to obtain relevant and reliable AE.

### Objective

The objective of the auditor, when using ECPs, is to design and perform such procedures to obtain relevant and reliable AE.

### Key Definitions

- **External confirmation** – AE obtained as a direct written response to the auditor from a third party (the confirming party), in paper form, or by electronic or other medium.
- **Positive confirmation request** – A request that the confirming party respond directly to the auditor indicating whether the confirming party agrees or disagrees with the information in the request, or providing the requested information.
- **Negative confirmation request** – A request that the confirming party respond directly to the auditor only if the confirming party disagrees with the information provided in the request.
- **Non-response** – A failure of the confirming party to respond, or fully respond, to a positive confirmation request, or a confirmation request returned undelivered.
- **Exception** – A response that indicates a difference between information requested to be confirmed, or contained in the entity's records, and information provided by the confirming party.

## Requirements of the Standard

Requirements	Description
<b>External Confirmation Procedures</b>	<p>When using ECPs, the auditor shall maintain control over external confirmation requests, including:</p> <ul style="list-style-type: none"> <li>• Determining the information to be confirmed or requested;</li> <li>• Selecting the appropriate confirming party;</li> <li>• Designing the confirmation requests, including determining that requests are properly addressed and contain return information for responses to be sent directly to the auditor; and</li> <li>• Sending the requests, including follow-up requests when applicable, to the confirming party.</li> </ul>
<b>Management's Refusal to Allow the Auditor to Send a Confirmation Request</b>	<p>If mgt refuses to allow the auditor to send a confirmation request, the auditor shall:</p> <ul style="list-style-type: none"> <li>• Inquire as to mgt's reasons for the refusal, and seek AE as to their validity and reasonableness;</li> <li>• Evaluate the implications of mgt's refusal on the auditor's assessment of the relevant ROMM, including the risk of fraud, and on the NTE of other audit procedures; and</li> <li>• Perform alternative audit procedures designed to obtain relevant and reliable AE.</li> </ul> <p>If the auditor concludes that mgt's refusal to allow the auditor to send a confirmation request is unreasonable, or the auditor is unable to obtain relevant and reliable AE from alternative audit procedures, the auditor shall communicate with TCWG in accordance with SA 260(Revised). The auditor also shall determine the implications for the audit and the auditor's opinion in accordance with SA 705(Revised).</p>
<b>Results of the External Confirmation Procedures</b>	
<b>Reliability of Responses to Confirmation Requests</b>	<p>If the auditor identifies factors that give rise to doubts about the reliability of the response to a confirmation request, the auditor shall obtain further AE to resolve those doubts.</p> <p>If the auditor determines that a response to a confirmation request is not reliable, the auditor shall evaluate the implications on the assessment of the relevant ROMM, including the risk of fraud, and on the related NTE of other audit procedures.</p>
<b>Non-Responses</b>	<p>In the case of each non-response, the auditor shall perform alternative audit procedures to obtain relevant and reliable AE.</p>
<b>When a Response to a Positive Confirmation Request is Necessary to Obtain</b>	<p>If the auditor has determined that a response to a positive confirmation request is necessary to obtain SAAE, alternative audit procedures will not provide the AE the auditor requires. If the auditor does not obtain such confirmation, the auditor shall determine the implications for the audit and the auditor's opinion in accordance with SA 705(Revised).</p>

**Ready Referencer on Engagement and Quality Control Standards**

<b>Sufficient Appropriate Audit Evidence</b>	
<b>Exceptions</b>	The auditor shall investigate exceptions to determine whether or not they are indicative of misstatements.
<b>Negative Confirmations</b>	<p>Negative confirmations provide less persuasive AE than positive confirmations. Accordingly, the auditor shall not use negative confirmation requests as the sole substantive audit procedure to address an assessed ROMM at the assertion level unless all of the following are present:</p> <ul style="list-style-type: none"> <li>• The auditor has assessed the ROMM as low and has obtained SAAE regarding the operating effectiveness of controls relevant to the assertion;</li> <li>• The population of items subject to negative confirmation procedures comprises a large number of small, homogeneous, account balances, transactions or conditions;</li> <li>• A very low exception rate is expected; and</li> <li>• The auditor is not aware of circumstances or conditions that would cause recipients of negative confirmation requests to disregard such requests.</li> </ul>
<b>Evaluating the Evidence Obtained</b>	The auditor shall evaluate whether the results of the ECPs provide relevant and reliable AE, or whether performing further audit procedures is necessary.



## **SA 510 - Initial Audit Engagements - Opening Balances (OB)**

### **Scope of this SA**

This SA deals with the auditor's responsibilities relating to OB when conducting an initial audit engagement. In addition to FS amounts, OB include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments. When the FS include comparative FI, the requirements and guidance in SA 710 also apply. SA 300 includes additional requirements and guidance regarding activities prior to starting an initial audit.

### **Objective**

In conducting an initial audit engagement, the objective of the auditor with respect to OB is to obtain SAAE about whether:

- OB contain misstatements that materially affect the current period's FS; and
- Appropriate accounting policies reflected in the OB have been consistently applied in the current period's FS, or changes thereto are properly accounted for and adequately presented and disclosed in accordance with the applicable FRF.

### **Key Definitions**

- **Initial audit engagement** – An engagement in which either:
  - The FS for the prior period were not audited; or
  - The FS for the prior period were audited by a predecessor auditor.
- **Opening Balances** – Those account balances that exist at the beginning of the period. OB are based upon the closing balances of the prior period and reflect the effects of transactions and events of prior periods and accounting policies applied in the prior period. OB also include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments.
- **Predecessor auditor** – The auditor from a different audit firm, who audited the FS of an entity in the prior period and who has been replaced by the current auditor.

### **Requirements of the Standard**

<b>Requirements</b>	<b>Description</b>
<b>Audit Procedures</b>	
<b>Opening Balances</b>	<p>The auditor shall read the most recent FS, if any, and the predecessor AR thereon, if any, for information relevant to OB, including disclosures. The auditor shall obtain SAAE about whether the OB contain misstatements that materially affect the current period's FS by:</p> <ul style="list-style-type: none"> <li>• Determining whether the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, any adjustments have been disclosed as prior period items in the current year's Statement of Profit and Loss;</li> <li>• Determining whether the OB reflect the application of appropriate accounting policies; and</li> <li>• Performing one or more of the following:           <ul style="list-style-type: none"> <li>○ Where the prior year FS were audited, perusing the copies of the audited FS including the other relevant documents relating</li> </ul> </li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>to the prior period FS;</p> <ul style="list-style-type: none"> <li>○ Evaluating whether audit procedures performed in the current period provide evidence relevant to the OB; or</li> <li>○ Performing specific audit procedures to obtain evidence regarding the OB.</li> </ul> <p>If the auditor obtains AE that the OB contain misstatements that could materially affect the current period's FS, the auditor shall perform such additional audit procedures as are appropriate in the circumstances to determine the effect on the current period's FS. If the auditor concludes that such misstatements exist in the current period's FS, the auditor shall communicate the misstatements with the appropriate level of mgt and TCWG in accordance with SA 450.</p>
<b>Consistency of Accounting Policies</b>	The auditor shall obtain SAAE about whether the accounting policies reflected in the OB have been consistently applied in the current period's FS, and whether changes in the accounting policies have been properly accounted for and adequately presented and disclosed in accordance with the applicable FRF.
<b>Relevant Information in the Predecessor Auditor's Report</b>	If the prior period's FS were audited by a predecessor auditor and there was a modification to the opinion, the auditor shall evaluate the effect of the matter giving rise to the modification in assessing the ROMM in the current period's FS in accordance with SA 315.
<b>Audit Conclusions and Reporting</b>	
<b>Opening Balances</b>	<p>If the auditor is unable to obtain SAAE regarding the OB, the auditor shall express a qualified opinion or a disclaimer of opinion, as appropriate, in accordance with SA 705(Revised).</p> <p>If the auditor concludes that the OB contain a misstatement that materially affects the current period's FS, and the effect of the misstatement is not properly accounted for or not adequately presented or disclosed, the auditor shall express a qualified opinion or an adverse opinion, as appropriate, in accordance with SA 705(Revised).</p>
<b>Consistency of Accounting Policies</b>	<p>If the auditor concludes that:</p> <ul style="list-style-type: none"> <li>• the current period's accounting policies are not consistently applied in relation to OB in accordance with the applicable FRF; or</li> <li>• a change in accounting policies is not properly accounted for or not adequately presented or disclosed in accordance with the applicable FRF,</li> </ul> <p>the auditor shall express a qualified opinion or an adverse opinion as appropriate in accordance with SA 705(Revised).</p>
<b>Modification to the Opinion in the Predecessor Auditor's Report</b>	If the predecessor auditor's opinion regarding the prior period's FS included a modification to the auditor's opinion that remains relevant and material to the current period's FS, the auditor shall modify the auditor's opinion on the current period's FS in accordance with SA 705(Revised) and SA 710.

## SA 520 - Analytical Procedures(AP)

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### Scope of this SA

This SA deals with the auditor's use of AP as substantive procedures ("substantive analytical procedures"), and as procedures near the end of the audit that assist the auditor when forming an overall conclusion on the FS. The use of AP as RAP is dealt with in SA 315. SA 330 includes requirements and guidance regarding the NTE of audit procedures in response to assessed risks; these audit procedures may include Substantive Analytical Procedures(SAP).

### Objectives

The objectives of the auditor are:

- To obtain relevant and reliable AE when using substantive analytical procedures; and
- To design and perform AP near the end of the audit that assist the auditor when forming an overall conclusion as to whether the FS are consistent with the auditor's understanding of the entity.

### Key Definition

**"Analytical procedures"** means evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. AP also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount. The auditor's choice of procedures, methods and level of application is a matter of PJ.

### Requirements of the Standard

Requirements	Description
<b>Substantive Analytical Procedures</b>	<p>When designing and performing SAP, either alone or in combination with tests of details, as substantive procedures in accordance with SA 330, the auditor shall:</p> <ul style="list-style-type: none"> <li>• Determine the suitability of particular SAP for given assertions, taking account of the assessed ROMM and tests of details, if any, for these assertions;</li> <li>• Evaluate the reliability of data from which the auditor's expectation of recorded amounts or ratios is developed, taking account of source, comparability, and nature and relevance of information available, and controls over preparation;</li> <li>• Develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to identify a misstatement that, individually or when aggregated with other misstatements, may cause the FS to be materially misstated; and</li> <li>• Determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation as required by below cited requirement for <b>"Investigating Results of Analytical Procedures"</b>.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

<b>Analytical Procedures that Assist When Forming an Overall Conclusion</b>	The auditor shall design and perform AP near the end of the audit that assist the auditor when forming an overall conclusion as to whether the FS are consistent with the auditor's understanding of the entity.
<b>Investigating Results of Analytical Procedures</b>	If AP performed in accordance with this SA identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, the auditor shall investigate such differences by: <ul style="list-style-type: none"><li>• Inquiring of mgt and obtaining appropriate AE relevant to mgt's responses; and</li><li>• Performing other audit procedures as necessary in the circumstances.</li></ul>

## SA 530 - Audit Sampling

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### Scope of this SA

This SA applies when the auditor has decided to use audit sampling in performing audit procedures. It deals with the auditor's use of statistical and non-statistical sampling when designing and selecting the audit sample, performing TOC and TOD, and evaluating the results from the sample.

This SA complements SA 500, which deals with the auditor's responsibility to design and perform audit procedures to obtain SAAE to be able to draw reasonable conclusions on which to base the audit opinion. SA 500 provides guidance on the means available to the auditor for selecting items for testing, of which audit sampling is one means.

### Objective

The objective of the auditor when using audit sampling is to provide a reasonable basis for the auditor to draw conclusions about the population from which the sample is selected.

### Key Definitions

- **Audit sampling (sampling)** – The application of audit procedures to less than 100% of items within a population of audit relevance such that all sampling units have a chance of selection in order to provide the auditor with a reasonable basis on which to draw conclusions about the entire population.
- **Population** – The entire set of data from which a sample is selected and about which the auditor wishes to draw conclusions.
- **Sampling risk** – The risk that the auditor's conclusion based on a sample may be different from the conclusion if the entire population were subjected to the same audit procedure. Sampling risk can lead to two types of erroneous conclusions:
  - In the case of a test of controls, that controls are more effective than they actually are, or in the case of a test of details, that a MM does not exist when in fact it does. The auditor is primarily concerned with this type of erroneous conclusion because it affects audit effectiveness and is more likely to lead to an inappropriate audit opinion.
  - In the case of a test of controls, that controls are less effective than they actually are, or in the case of a test of details, that a MM exists when in fact it does not. This type of erroneous conclusion affects audit efficiency as it would usually lead to additional work to establish that initial conclusions were incorrect.
- **Anomaly** – A misstatement or deviation that is demonstrably not representative of misstatements or deviations in a population.
- **Sampling unit** – The individual items constituting a population.
- **Statistical sampling** – An approach to sampling that has the following characteristics:
  - Random selection of the sample items; and

## Ready Referencer on Engagement and Quality Control Standards

- The use of probability theory to evaluate sample results, including measurement of sampling risk.

A sampling approach that does not have above characteristics is considered non-statistical sampling.

## Requirements of the Standard

Requirements	Description
<b>Sample Design, Size and Selection of Items for Testing</b>	<p>When designing an audit sample, the auditor shall consider the purpose of the audit procedure and the characteristics of the population from which the sample will be drawn.</p> <p>The auditor shall determine a sample size sufficient to reduce sampling risk to an acceptably low level.</p> <p>The auditor shall select items for the sample in such a way that each sampling unit in the population has a chance of selection.</p>
<b>Performing Audit Procedures</b>	<p>The auditor shall perform audit procedures, appropriate to the purpose, on each item selected.</p> <p>If the audit procedure is not applicable to the selected item, the auditor shall perform the procedure on a replacement item.</p> <p>If the auditor is unable to apply the designed audit procedures, or suitable alternative procedures, to a selected item, the auditor shall treat that item as a deviation from the prescribed control, in the case of tests of controls, or a misstatement, in the case of tests of details.</p>
<b>Nature and Cause of Deviations and Misstatements</b>	<p>The auditor shall investigate the nature and cause of any deviations or misstatements identified, and evaluate their possible effect on the purpose of the audit procedure and on other areas of the audit.</p> <p>In the extremely rare circumstances when the auditor considers a misstatement or deviation discovered in a sample to be an anomaly, the auditor shall obtain a high degree of certainty that such misstatement or deviation is not representative of the population. The auditor shall obtain this degree of certainty by performing additional audit procedures to obtain SAAE that the misstatement or deviation does not affect the remainder of the population.</p>
<b>Projecting Misstatements</b>	<p>For tests of details, the auditor shall project misstatements found in the sample to the population.</p>
<b>Evaluating Results of Audit Sampling</b>	<p>The auditor shall evaluate:</p> <ul style="list-style-type: none"> <li>• The results of the sample; and</li> <li>• Whether the use of audit sampling has provided a reasonable basis for conclusions about the population that has been tested.</li> </ul>

## SA 540 - Auditing Accounting Estimates Including Fair Value Accounting Estimates and Related Disclosures

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### Scope of this SA

This SA deals with the auditor's responsibilities regarding accounting estimates, including Fair Value(FV) accounting estimates, and related disclosures in an audit of FS. Specifically, it expands on how SA 315 and SA 330 and other relevant SAs are to be applied in relation to accounting estimates. It also includes requirements and guidance on misstatements of individual accounting estimates, and indicators of possible mgt bias.

### *Nature of Accounting Estimates*

Some FS items cannot be measured precisely, but can only be estimated.

The measurement objective of accounting estimates can vary depending on the applicable FRF and the financial item being reported. The measurement objective for some accounting estimates is to forecast the outcome of one or more transactions, events or conditions giving rise to the need for the accounting estimate. For other accounting estimates, including many FV accounting estimates, the measurement objective is different, and is expressed in terms of the value of a current transaction or FS item based on conditions prevalent at the measurement date, such as estimated market price for a particular type of asset or liability.

A difference between the outcome of an accounting estimate and the amount originally recognised or disclosed in the FS does not necessarily represent a misstatement of the FS. This is particularly the case for FV accounting estimates, as any observed outcome is invariably affected by events or conditions subsequent to the date at which the measurement is estimated for purposes of the FS.

### Objective

The objective of the auditor is to obtain SAAE whether in the context of the applicable FRF:

- accounting estimates, including FV accounting estimates, in the FS, whether recognised or disclosed, are reasonable; and
- related disclosures in the FS are adequate.

### Key Definitions

- **Accounting estimate** – An approximation of a monetary amount in the absence of a precise means of measurement. This term is used for an amount measured at FV where there is estimation uncertainty, as well as for other amounts that require estimation. Where this SA addresses only accounting estimates involving measurement at FV, the term “FV accounting estimates” is used.
- **Auditor's point estimate or auditor's range** – *The amount, or range of amounts, respectively, derived from audit evidence for use in evaluating management's point estimate.*
- **Estimation uncertainty** – The susceptibility of an accounting estimate and related disclosures to an inherent lack of precision in its measurement.
- **Management bias** – A lack of neutrality by mgt in the preparation and presentation of information.

## Ready Referencer on Engagement and Quality Control Standards

- **Management's point estimate** – The amount selected by mgt for recognition or disclosure in the FS as an accounting estimate.
- **Outcome of an accounting estimate** –The actual monetary amount which results from the resolution of the underlying transaction(s), event(s) or condition(s) addressed by the accounting estimate.

## Requirements of the Standard

Requirements	Description
<p><b>Risk Assessment Procedures and Related Activities</b></p>	<p>When performing RAP and related activities, as required by SA 315, the auditor shall obtain an understanding of the following in order to provide a basis for the identification and assessment of the ROMM for accounting estimates:</p> <ul style="list-style-type: none"> <li>• The requirements of the applicable FRF relevant to accounting estimates, including related disclosures.</li> <li>• How mgt identifies those transactions, events and conditions that may give rise to the need for accounting estimates to be recognised or disclosed in the FS. How mgt makes the accounting estimates, and an understanding of the data on which they are based, including: <ul style="list-style-type: none"> <li>○ The method, including where applicable the model, used in making the accounting estimate;</li> <li>○ Relevant controls;</li> <li>○ Whether mgt has used an expert;</li> <li>○ The assumptions underlying the accounting estimates;</li> <li>○ Whether there has been or ought to have been a change from the prior period in the methods for making the accounting estimates, and if so, why; and</li> <li>○ Whether and, if so, how mgt has assessed the effect of estimation uncertainty.</li> </ul> </li> </ul> <p>The auditor shall review the outcome of accounting estimates included in the prior period FS, or, where applicable, their subsequent re-estimation for the purpose of the current period. The nature and extent of the auditor's review takes account of the nature of the accounting estimates, and whether the information obtained from the review would be relevant to identifying and assessing ROMM of accounting estimates made in the current period FS. However, the review is not intended to call into question the judgments made in the prior periods that were based on information available at that time.</p>
<p><b>Identifying and Assessing the Risks of Material Misstatement</b></p>	<p>In identifying and assessing the ROMM, as required by SA 315, the auditor shall evaluate the degree of estimation uncertainty associated with an accounting estimate.</p> <p>The auditor shall determine whether, in the auditor's judgment, any of those accounting estimates that have been identified as having high estimation uncertainty give rise to significant risks.</p>



**Ready Referencer on Engagement and Quality Control Standards**

<p><b>Responses to the Assessed Risks of Material Misstatement</b></p>	<p>Based on the assessed ROMM, the auditor shall determine:</p> <ul style="list-style-type: none"> <li>• Whether mgt has appropriately applied the requirements of the applicable FRF relevant to the accounting estimate; and</li> <li>• Whether the methods for making the accounting estimates are appropriate and have been applied consistently, and whether changes, if any, in accounting estimates or in the method for making them from the prior period are appropriate in the circumstances.</li> </ul> <p>In responding to the assessed ROMM, as required by SA 330, the auditor shall undertake one or more of the following, taking account of the nature of the accounting estimate:</p> <ul style="list-style-type: none"> <li>• Determine whether events occurring up to the date of the AR provide AE regarding the accounting estimate.</li> <li>• Test how mgt made the accounting estimate and the data on which it is based. In doing so, the auditor shall evaluate whether:             <ul style="list-style-type: none"> <li>○ The method of measurement used is appropriate in the circumstances; and</li> <li>○ The assumptions used by mgt are reasonable in light of the measurement objectives of the applicable FRF.</li> </ul> </li> <li>• Test the operating effectiveness of the controls over how mgt made the accounting estimate, together with appropriate substantive procedures.</li> <li>• Develop a point estimate or a range to evaluate mgt's point estimate. For this purpose:             <ul style="list-style-type: none"> <li>○ When the auditor uses assumptions or methods that differ from mgt's, the auditor shall obtain an understanding of mgt's assumptions or methods sufficient to establish that the auditor's point estimate or range takes into account relevant variables and to evaluate any significant differences from mgt's point estimate.</li> <li>○ When the auditor concludes that it is appropriate to use a range, the auditor shall narrow the range, based on AE available, until all outcomes within the range are considered reasonable.</li> </ul> </li> </ul> <p>In determining the matters identified in above paragraph the auditor shall consider whether specialised skills or knowledge in relation to one or more aspects of the accounting estimates are required in order to obtain SAAE.</p>
<p><b>Further Substantive Procedures to Respond to Significant Risks</b></p>	
<p><b>Estimation Uncertainty</b></p>	<p>For accounting estimates that give rise to significant risks, in addition to other substantive procedures performed to meet the requirements of SA 330, the auditor shall evaluate the following:</p> <ul style="list-style-type: none"> <li>• How mgt has considered alternative assumptions or outcomes, and why it has rejected them, or how mgt has otherwise addressed estimation uncertainty in making the accounting estimate.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"> <li>• Whether the significant assumptions used by mgt are reasonable.</li> <li>• Where relevant to the reasonableness of the significant assumptions used by mgt or the appropriate application of the applicable FRF, mgt's intent to carry out specific courses of action and its ability to do so.</li> </ul> <p>If, in the auditor's judgment, mgt has not adequately addressed the effects of estimation uncertainty on the accounting estimates that give rise to significant risks, the auditor shall, if considered necessary, develop a range with which to evaluate the reasonableness of the accounting estimate.</p>
<b>Recognition and Measurement Criteria</b>	<p>For accounting estimates that give rise to significant risks, the auditor shall obtain SAAE whether the following are in accordance with the requirements of the applicable FRF:</p> <ul style="list-style-type: none"> <li>• mgt's decision to recognise, or to not recognise, the accounting estimates in the FS; and</li> <li>• the selected measurement basis for the accounting estimates.</li> </ul>
<b>Evaluating the Reasonableness of the Accounting Estimates, and Determining Misstatements</b>	<p>The auditor shall evaluate, based on the AE, whether the accounting estimates in the FS are either reasonable in the context of the applicable FRF, or are misstated.</p>
<b>Disclosures Related to Accounting Estimates</b>	<p>The auditor shall obtain SAAE about whether the disclosures in the FS related to accounting estimates are in accordance with the requirements of the applicable FRF.</p> <p>For accounting estimates that give rise to significant risks, the auditor shall also evaluate the adequacy of the disclosure of their estimation uncertainty in the FS in the context of the applicable FRF.</p>
<b>Indicators of Possible Management Bias</b>	<p>The auditor shall review the judgments and decisions made by mgt in the making of accounting estimates to identify whether there are indicators of possible mgt bias. Indicators of possible mgt bias do not themselves constitute misstatements for the purposes of drawing conclusions on the reasonableness of individual accounting estimates.</p>
<b>Written Representations</b>	<p>The auditor shall obtain WR from mgt and, where appropriate, TCWG whether they believe significant assumptions used in making accounting estimates are reasonable.</p>
<b>Documentation</b>	<p>The audit documentation shall include:</p> <ul style="list-style-type: none"> <li>• The basis for the auditor's conclusions about the reasonableness of accounting estimates and their disclosure that give rise to significant risks; and</li> <li>• Indicators of possible mgt bias, if any.</li> </ul>

## SA 550 - Related Parties

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### Scope of this SA

This SA deals with the auditor's responsibilities regarding Related Parties(RP) relationships and transactions when performing an audit of FS. Specifically, it expands on how SA 315, SA 330 and SA 240 are to be applied in relation to ROMM associated with RP relationships and transactions.

### *Responsibilities of the Auditor*

Where the applicable FRF establishes requirements w.r.t. RP relationships, transactions and balances, the auditor has a responsibility to perform audit procedures to identify, assess and respond to the ROMM arising from the entity's failure to appropriately account for or disclose RP relationships, transactions or balances in accordance with the requirements of the framework.

Even if the applicable FRF establishes minimal or no RP requirements, the auditor nevertheless needs to obtain an understanding of the entity's RP relationships and transactions sufficient to be able to conclude whether the FS, insofar as they are affected by those relationships and transactions:

- Achieve a true and fair presentation (for fair presentation frameworks); or
- Are not misleading (for compliance frameworks).

In addition, an understanding of the entity's RP relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by SA 240 because fraud may be more easily committed through RPs.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some MM of the FS may not be detected, even though the audit is properly planned and performed in accordance with the SAs. In the context of RPs, the potential effects of inherent limitations on the auditor's ability to detect MM are greater for such reasons as following:

- Mgt may be unaware of the existence of all RP relationships and transactions, particularly if the applicable FRF does not establish RP requirements.
- RP relationships may present a greater opportunity for collusion, concealment or manipulation by mgt.

The requirements in this SA are designed to assist the auditor in identifying and assessing the ROMM associated with RP relationships and transactions, and in designing audit procedures to respond to the assessed risks.

### Objectives

The objectives of the auditor are:

- To obtain an understanding of RP relationships and transactions sufficient to be able:
  - To recognise fraud risk factors, and
  - To conclude whether the FS,:
    - Achieve a true and fair presentation (for fair presentation frameworks); or
    - Are not misleading (for compliance frameworks); and

## Ready Referencer on Engagement and Quality Control Standards

- In addition, where the applicable FRF establishes RP requirements, to obtain SAAE about whether RP relationships and transactions have been appropriately identified, accounted for and disclosed in the FS in accordance with the framework.

### Key Definitions

- **Arm's length transaction**—A transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interests.
- **Related Party** – A party that is either:
  - A RP as defined in the applicable FRF; or
  - Where the applicable FRF establishes minimal or no RP requirements:
    - A person or other entity that has control or significant influence, directly or indirectly through one or more intermediaries, over the reporting entity;
    - Another entity over which the reporting entity has control or significant influence, directly or indirectly through one or more intermediaries; or
    - Another entity that is under common control with the reporting entity through having:
      - Common controlling ownership;
      - Owners who are close family members; or
      - Common key mgt.

However, entities that are under common control by a state (i.e., a national, regional or local government) are not considered related unless they engage in significant transactions or share resources to a significant extent with one another.

### Requirements of the Standard

Requirements	Description
<b>Risk Assessment Procedures and Related Activities</b>	
	As part of the RAP and related activities that SA 315 and SA 240 require the auditor to perform during the audit, the auditor shall perform the audit procedures and related activities set out in below mentioned paragraphs to obtain information relevant to identifying the ROMM associated with RP relationships and transactions.
<b>Understanding the Entity's Related Party Relationships and Transactions</b>	<p>SA 315 &amp; SA 240 require Engagement Team discussion.</p> <ul style="list-style-type: none"> <li>• Auditor to inquire management regarding:           <ul style="list-style-type: none"> <li>○ Identity of entity's RP, changes from prior period.</li> <li>○ Nature of relationships between entity and RP.</li> <li>○ Type &amp; purpose of transactions with RP during the period.</li> </ul> </li> <li>• Perform appropriate RAP to obtain understanding whether management has established controls to:           <ul style="list-style-type: none"> <li>○ Identify, account for and disclose RP relationships &amp; transactions.</li> </ul> </li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"> <li>○ Authorise &amp; approve significant transactions/arrangements with RP.</li> <li>● Authorise &amp; approve significant transactions/arrangements <b>outside normal course of business.</b></li> </ul>
<b><i>Maintaining Alertness for Related Party Information When Reviewing Records or Documents</i></b>	<ul style="list-style-type: none"> <li>● Auditor to remain alert when inspecting records/documents: <ul style="list-style-type: none"> <li>○ w.r.t. arrangements/information indicating existence of RP relationships or transactions.</li> <li>○ not previously identified or disclosed to auditor.</li> </ul> </li> <li>● If auditor identifies significant transactions outside entity's normal course of business: <ul style="list-style-type: none"> <li>○ Inquire of management about: <ul style="list-style-type: none"> <li>▪ Nature of these transactions, and</li> <li>▪ Whether RP could be involved.</li> </ul> </li> </ul> </li> </ul>
<b><i>Sharing Related Party Information with the Engagement Team</i></b>	The auditor shall share relevant information obtained about the entity's RPs with the other members of the ET.
<b><i>Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions</i></b>	<p>In meeting the SA 315 requirement to identify and assess the ROMM, the auditor shall identify and assess the ROMM associated with RP relationships and transactions and determine whether any of those risks are significant risks. In making this determination, the auditor shall treat identified significant RP transactions outside the entity's normal course of business as giving rise to significant risks.</p> <p>If the auditor identifies fraud risk factors when performing the RAP and related activities in connection with RPs, the auditor shall consider such information when identifying and assessing the ROMM due to fraud in accordance with SA 240.</p>
<b>Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions</b>	
	As part of the SA 330 requirement that the auditor respond to assessed risks, the auditor designs and performs further audit procedures to obtain SAAE about the assessed ROMM associated with RP relationships and transactions. These audit procedures shall include those required by below cited paragraphs.
<b><i>Identification of Previously Unidentified or Undisclosed Related Parties or Significant Related Party Transactions</i></b>	<p>If the auditor identifies arrangements or information that suggests the existence of RP relationships or transactions that mgt has not previously identified or disclosed to the auditor, the auditor shall determine whether the underlying circumstances confirm the existence of those relationships or transactions.</p> <p>If the auditor identifies RPs or significant RP transactions that mgt has not previously identified or disclosed to the auditor, the auditor shall:</p> <ul style="list-style-type: none"> <li>● Promptly communicate the relevant information to the other</li> </ul>

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	<p>members of the ET;</p> <ul style="list-style-type: none"> <li>• Where the applicable FRF establishes RP requirements: <ul style="list-style-type: none"> <li>○ Request mgt to identify all transactions with the newly identified RPs for the auditor’s further evaluation; and</li> <li>○ Inquire as to why the entity’s controls over RP relationships and transactions failed to enable the identification or disclosure of the RP relationships or transactions;</li> </ul> </li> <li>• Perform appropriate Substantive AP relating to such newly identified RPs or significant RP transactions;</li> <li>• Reconsider the risk that other RPs or significant RP transactions may exist that mgt has not previously identified or disclosed to the auditor, and perform additional audit procedures as necessary; and</li> <li>• If the non-disclosure by mgt appears intentional (and therefore indicative of a ROMM due to fraud), evaluate the implications for the audit.</li> </ul>
<p><b><i>Identified Significant Related Party Transactions outside the Entity’s Normal Course of Business</i></b></p>	<p>For identified significant RP transactions outside the entity’s normal course of business, the auditor shall:</p> <ul style="list-style-type: none"> <li>• Inspect the underlying contracts or agreements, if any, and evaluate whether: <ul style="list-style-type: none"> <li>○ The business rationale (or lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets;</li> <li>○ The terms of the transactions are consistent with mgt’s explanations; and</li> <li>○ The transactions have been appropriately accounted for and disclosed in accordance with the applicable FRF; and</li> </ul> </li> <li>• Obtain AE that the transactions have been appropriately authorised and approved.</li> </ul>
<p><b><i>Assertions That Related Party Transactions Were Conducted on Terms Equivalent to Those Prevailing in an Arm’s Length Transaction</i></b></p>	<p>When mgt has made an assertion in the FS to the effect that a RP transaction was conducted on terms equivalent to those prevailing in an arm’s length transaction, the auditor shall obtain SAAE about the assertion.</p>
<p><b><i>Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships</i></b></p>	<p>In forming an opinion on the FS in accordance with SA 700(Revised), the auditor shall evaluate:</p> <ul style="list-style-type: none"> <li>• Whether the identified RP relationships and transactions have been appropriately accounted for and disclosed in accordance with the</li> </ul>

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<b>and Transactions</b>	<p>applicable FRF; and</p> <ul style="list-style-type: none"> <li>• Whether the effects of the RP relationships and transactions: <ul style="list-style-type: none"> <li>○ Prevent the FS from achieving true and fair presentation (for fair presentation frameworks); or</li> <li>○ Cause the FS to be misleading (for compliance frameworks).</li> </ul> </li> </ul>
<b>Written Representations</b>	<p>Where the applicable FRF establishes RP requirements, the auditor shall obtain WR from mgt and, where appropriate, TCWG that:</p> <ul style="list-style-type: none"> <li>• They have disclosed to the auditor the identity of the entity's RPs and all the RP relationships and transactions of which they are aware; and</li> <li>• They have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.</li> </ul>
<b>Communication with Those Charged with Governance</b>	<p>Unless all of TCWG are involved in managing the entity, the auditor shall communicate with TCWG significant matters arising during the audit in connection with the entity's RPs.</p>
<b>Documentation</b>	<p>In meeting the documentation requirements of SA 230 and other SAs, the auditor shall include in the audit documentation the names of the identified RPs and the nature of the RP relationships.</p>

## SA 560 - Subsequent Events

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### Scope of this SA

This SA deals with the auditor's responsibilities relating to subsequent events (SE) in an audit of FS. It does not deal with matters relating to the auditor's responsibilities for other information obtained after the date of the auditor's report, which are addressed in SA 720(Revised). However, such other information may bring to light a subsequent event that is within the scope of this SA.

FS may be affected by certain events that occur after the date of the FS. Many FRFs specifically refer to such events. Such FRFs ordinarily identify two types of events:

- Those that provide evidence of conditions that existed at the date of the FS; and
- Those that provide evidence of conditions that arose after the date of the FS.

SA 700(Revised) explains that the date of the AR informs the reader that the auditor has considered the effect of events and transactions of which the auditor becomes aware and that occurred up to that date.

### Objectives

The objectives of the auditor are to:

- Obtain SAAE about whether events occurring between the date of the FS and the date of the auditor's report that require adjustment of, or disclosure in, the FS are appropriately reflected in those FS; and
- Respond appropriately to facts that become known to the auditor after the date of the auditor's report, that, had they been known to the auditor at that date, may have caused the auditor to amend the auditor's report.

### Key Definitions

- ***Date of the financial statements*** – The date of the end of the latest period covered by the FS.
- ***Date of approval of the financial statements*** – The date on which all the statements that comprise the FS, including the related notes, have been prepared and those with the recognised authority have asserted that they have taken responsibility for those FS.
- ***Date of the auditor's report*** – The date the auditor dates the report on the FS in accordance with SA 700(Revised).
- ***Date the financial statements are issued*** – The date that the auditor's report and audited FS are made available to third parties.
- ***Subsequent events*** – Events occurring between the date of the FS and the date of the auditor's report, and facts that become known to the auditor after the date of the auditor's report.



## Requirements of the Standard

Requirements	Description
<b>Events Occurring Between the Date of the Financial Statements and the Date of the Auditor's Report</b>	
	<p>1. The auditor shall perform audit procedures designed to obtain SAAE that all events occurring between the date of the FS and the date of the AR that require adjustment of, or disclosure in, the FS have been identified. The auditor is not, however, expected to perform additional audit procedures on matters to which previously applied audit procedures have provided satisfactory conclusions.</p> <p>2. The auditor shall perform the procedures required by paragraph 1 above so that they cover the period from the date of the FS to the date of the AR, or as near as practicable thereto. The auditor shall take into account the auditor's risk assessment in determining the nature and extent of such audit procedures, which shall include the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of any procedures mgt has established to ensure that SE are identified.</li> <li>• Inquiring of mgt and, where appropriate, TCWG as to whether any SE have occurred which might affect the FS.</li> <li>• Reading minutes, if any, of the meetings, of the entity's owners, mgt and TCWG, held after the date of the FS and inquiring about matters discussed at any such meetings for which minutes are not yet available.</li> <li>• Reading the entity's latest subsequent interim FS, if any.</li> </ul> <p>3. When, as a result of the procedures performed as required by paragraphs 1 and 2 above, the auditor identifies events that require adjustment of, or disclosure in, the FS, the auditor shall determine whether each such event is appropriately reflected in those FS.</p>
<b>Written Representations</b>	4. The auditor shall request mgt and, where appropriate, TCWG, to provide a written representation in accordance with SA 580 that all events occurring subsequent to the date of the FS and for which the applicable FRF requires adjustment or disclosure have been adjusted or disclosed.
<b>Facts Which Become Known to the Auditor After the Date of the Auditor's Report but Before the Date the Financial Statements are Issued</b>	<p>5. The auditor has no obligation to perform any audit procedures regarding the FS after the date of the AR. However, when, after the date of the AR but before the date the FS are issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the AR, may have caused the auditor to amend the AR, the auditor shall:</p> <ul style="list-style-type: none"> <li>• Discuss the matter with mgt and, where appropriate, TCWG.</li> <li>• Determine whether the FS need amendment and, if so,</li> <li>• Inquire how mgt intends to address the matter in the FS.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>6. If management amends the FS, the auditor shall:</p> <p>(a) Carry out the audit procedures necessary in the circumstances on the amendment.</p> <p>(b) Unless the circumstances in paragraph 7 below apply:</p> <p>(i) Extend the audit procedures referred to in paragraphs 1 and 2 above to the date of the new auditor’s report; and</p> <p>(ii) Provide a new auditor’s report on the amended FS. The new auditor’s report shall not be dated earlier than the date of approval of the amended FS.</p> <p>7. When law, regulation or the FRF does not prohibit mgt from restricting the amendment of the FS to the effects of the SE or events causing that amendments and those responsible for approving the FS are not prohibited from restricting their approval to that amendment, the auditor is permitted to restrict the audit procedures on SE required in paragraph 6(b)(i) above to that amendment. In such cases, the auditor shall either:</p> <ul style="list-style-type: none"> <li>• Amend the AR to include an additional date restricted to that amendment that thereby indicates that the auditor’s procedures on SE are restricted solely to the amendment of the FS described in the relevant note to the FS; or</li> <li>• Provide a new or amended AR that includes a statement in an EOM paragraph or OM paragraph that conveys that auditor’s procedures on SE are restricted solely to the amendment of the FS as described in the relevant note to the FS.</li> </ul> <p>8. In some entities, mgt may not be required by the applicable law, regulation or the FRF to issue amended FS and, accordingly, the auditor need not provide an amended or new auditor’s report. However, when mgt does not amend the FS in circumstances where the auditor believes they need to be amended, then:</p> <ul style="list-style-type: none"> <li>• If the AR has not yet been provided to the entity, the auditor shall modify the opinion as required by SA 705(Revised) and then provide the AR; or</li> <li>• If the AR has already been provided to the entity, the auditor shall notify mgt and, unless all of TCWG are involved in managing the entity, TCWG, not to issue the FS to third parties before the necessary amendments have been made. If the FS are nevertheless subsequently issued without the necessary amendments, the auditor shall take appropriate action, to seek to prevent reliance on the AR.</li> </ul>
<p><b>Facts Which Become Known to the Auditor After the Financial Statements have</b></p>	<p>9. After the FS have been issued, the auditor has no obligation to perform any audit procedures regarding such FS. However, when, after the FS have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the AR, may have</p>

**Ready Referencer on Engagement and Quality Control Standards**

<b>been Issued</b>	<p>caused the auditor to amend the AR, the auditor shall:</p> <ul style="list-style-type: none"><li>• Discuss the matter with mgt and, where appropriate, TCWG.</li><li>• Determine whether the FS need amendment and, if so,</li><li>• Inquire how mgt intends to address the matter in the FS.</li></ul> <p>10. If the mgt amends the FS, the auditor shall:</p> <ul style="list-style-type: none"><li>• Carry out the audit procedures necessary in the circumstances on the amendment.</li><li>• Review the steps taken by mgt to ensure that anyone in receipt of the previously issued FS together with the auditor's report thereon is informed of the situation.</li><li>• Unless the circumstances in paragraph 7 above apply:<ul style="list-style-type: none"><li>○ Extend the audit procedures referred to in paragraphs 1 and 2 above to the date of the new auditor's report, and date the new auditor's report no earlier than the date of approval of the amended FS; and</li><li>○ Provide a new auditor's report on the amended FS.</li></ul></li><li>• When the circumstances in paragraph 7 above apply, amend the auditor's report, or provide a new auditor's report as required by that paragraph.</li></ul> <p>11. The auditor shall include in the new or amended auditor's report an EOM paragraph or OM paragraph referring to a note to the FS that more extensively discusses the reason for the amendment of the previously issued FS and to the earlier report provided by the auditor.</p> <p>12. If mgt does not take the necessary steps to ensure that anyone in receipt of the previously issued FS is informed of the situation and does not amend the FS in circumstances where the auditor believes they need to be amended, the auditor shall notify mgt and, unless all of TCWG are involved in managing the entity, TCWG, that the auditor will seek to prevent future reliance on the auditor's report. If, despite such notification, mgt or TCWG do not take these necessary steps, the auditor shall take appropriate action to seek to prevent reliance on the auditor's report.</p>
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## SA 570(Revised), Going Concern (GC)

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### **Scope of this SA**

This SA deals with the auditor's responsibilities in the audit of FS relating to GC and the implications for the AR.

### **Going Concern Basis of Accounting**

Under the GC basis of accounting, the FS are prepared on the assumption that the entity is a GC and will continue its operations for the foreseeable future. General purpose FS are prepared using the GC basis of accounting, unless mgt either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Special purpose FS may or may not be prepared in accordance with a FRF for which the GC basis of accounting is relevant (e.g., the GC basis of accounting is not relevant for some FS prepared on a tax basis). When the use of the GC basis of accounting is appropriate, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

### **Responsibility for Assessment of the Entity's Ability to Continue as a Going Concern**

GC - a fundamental principle in preparation of FS. The preparation of FS requires mgt to assess the entity's ability to continue as a GC.

Mgt's assessment about GC involves making judgment about inherently uncertain future outcome of events/conditions:

- Period- at least 12 months from date of FS.
- Based on – information available at the time at which the judgment is made.
- Affected by – size & complexity of entity, Nature & Condition of its business

### **Responsibilities of the Auditor**

The auditor's responsibilities are to obtain SAAE regarding, and conclude on, the appropriateness of mgt's use of the GC basis of accounting in the preparation of the FS, and to conclude, based on the AE obtained, whether a material uncertainty exists about the entity's ability to continue as a GC. These responsibilities exist even if the FRF used in the preparation of the FS does not include an explicit requirement for mgt to make a specific assessment of the entity's ability to continue as a GC.

However, as described in SA 200, the potential effects of inherent limitations on the auditor's ability to detect MM are greater for future events or conditions that may cause an entity to cease to continue as a going concern. The auditor cannot predict such future events or conditions. Accordingly, the absence of any reference to a material uncertainty about the entity's ability to continue as a GC in an AR cannot be viewed as a guarantee as to the entity's ability to continue as a GC.

### **Objectives**

The objectives of the auditor are:

## Ready Referencer on Engagement and Quality Control Standards

- To obtain SAAE regarding, and conclude on, the appropriateness of mgt's use of the GC basis of accounting in the preparation of the FS;
- To conclude, based on the AE obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a GC; and
- To report in accordance with this SA.

### Requirements of the Standard

Requirements	Description
<b>Risk Assessment Procedures and Related Activities</b>	<p>When performing RAP as required by SA 315, the auditor shall consider whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a GC. In so doing, the auditor shall determine whether mgt has already performed a preliminary assessment of the entity's ability to continue as a GC, and:</p> <ul style="list-style-type: none"> <li>• If such an assessment has been performed, the auditor shall discuss the assessment with mgt and determine whether mgt has identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a GC and, if so, mgt's plans to address them; or</li> <li>• If such an assessment not yet performed, the auditor shall discuss with mgt the basis for the intended use of the GC basis of accounting, and inquire of mgt whether events or conditions exist that, individually or collectively, may cast significant doubt on the entity's ability to continue as a GC.</li> </ul> <p>The auditor shall remain alert throughout the audit for AE of events or conditions that may cast significant doubt on the entity's ability to continue as a GC.</p>
<b>Evaluating Management's Assessment</b>	<p>The auditor shall evaluate mgt's assessment of the entity's ability to continue as a GC.</p> <p>In evaluating mgt's assessment of the entity's ability to continue as a GC, the auditor shall cover the same period as that used by mgt to make its assessment as required by the applicable FRF, or by L&amp;R if it specifies a longer period. If mgt's assessment covers less than twelve months from the date of the FS as defined in SA 560, the auditor shall request mgt to extend its assessment period to at least twelve months from that date.</p> <p>In evaluating mgt's assessment, the auditor shall consider whether mgt's assessment includes all relevant information of which the auditor is aware as a result of the audit.</p>
<b>Period beyond Management's Assessment</b>	<p>The auditor shall inquire of mgt as to its knowledge of events or conditions beyond the period of mgt's assessment that may cast significant doubt on the entity's ability to continue as a GC.</p>

**Ready Referencer on Engagement and Quality Control Standards**

<p><b>Additional Procedures Events Conditions Identified</b></p>	<p><b>Audit When or Are</b></p>	<p>If events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a GC, the auditor shall obtain SAAE to determine whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a GC (hereinafter referred to as “material uncertainty”) through performing additional audit procedures, including consideration of mitigating factors. These procedures shall include:</p> <ul style="list-style-type: none"> <li>• Where mgt has not yet performed an assessment of the entity’s ability to continue as a GC, requesting mgt to make its assessment.</li> <li>• Evaluating mgt’s plans for future actions in relation to its GC assessment, whether the outcome of these plans is likely to improve the situation and whether mgt’s plans are feasible in the circumstances.</li> <li>• Where the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in considering the future outcome of events or conditions in the evaluation of mgt’s plans for future actions:             <ul style="list-style-type: none"> <li>○ Evaluating the reliability of the underlying data generated to prepare the forecast; and</li> <li>○ Determining whether there is adequate support for the assumptions underlying the forecast.</li> </ul> </li> <li>• Considering whether any additional facts or information have become available since the date on which mgt made its assessment.</li> <li>• Requesting WR from mgt and, where appropriate, TCWG, regarding their plans for future actions and the feasibility of these plans.</li> </ul>
<p><b>Auditor Conclusions</b></p>		
		<p>A. The auditor shall evaluate whether SAAE has been obtained regarding, and shall conclude on, the appropriateness of mgt’s use of the GC basis of accounting in the preparation of the FS.</p> <p>Based on the AE obtained, the auditor shall conclude whether, in the auditor’s judgment, a material uncertainty exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a GC. A material uncertainty exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor’s judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary for:</p> <p>In the case of a fair presentation FRF, the fair presentation of the FS, or</p> <p>In the case of a compliance framework, the FS not to be misleading.</p>
<p><b>Adequacy of Disclosures</b></p>	<p><b>When</b></p>	<p>B. If the auditor concludes that mgt’s use of the GC basis of accounting is appropriate in the circumstances but a material</p>

**Ready Referencer on Engagement and Quality Control Standards**

<p><b>Events or Conditions Have Been Identified and a Material Uncertainty Exists</b></p>	<p>uncertainty exists, the auditor shall determine whether the FS:</p> <ul style="list-style-type: none"> <li>• Adequately disclose the principal events or conditions that may cast significant doubt on the entity’s ability to continue as a GC and mgt’s plans to deal with these events or conditions; and</li> <li>• Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a GC and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.</li> </ul>
<p><b>Adequacy of Disclosures When Events or Conditions Have Been Identified but No Material Uncertainty Exists</b></p>	<p>C. If events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a GC but, based on the AE obtained the auditor concludes that no material uncertainty exists, the auditor shall evaluate whether, in view of the requirements of the applicable FRF, the FS provide adequate disclosures about these events or conditions.</p>
<p><b>Implications for the Auditor’s Report</b></p>	
<p><b>Use of Going Concern Basis of Accounting is Inappropriate</b></p>	<p>If the FS have been prepared using the GC basis of accounting but, in the auditor’s judgment, mgt’s use of the GC basis of accounting in the preparation of the FS is inappropriate, the auditor shall express an adverse opinion.</p>
<p><b>Use of Going Concern Basis of Accounting is Appropriate but a Material Uncertainty Exists</b></p>	<p><b>Adequate Disclosure of a Material Uncertainty is Made in the Financial Statements</b></p> <p>If adequate disclosure about the material uncertainty is made in the FS, the auditor shall express an unmodified opinion and the AR shall include a separate section under the heading “Material Uncertainty Related to Going Concern” to:</p> <ul style="list-style-type: none"> <li>• Draw attention to the note in the FS that discloses the matters set out in paragraph B above; and</li> <li>• State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a GC and that the auditor’s opinion is not modified in respect of the matter.</li> </ul> <p><b>Adequate Disclosure of a Material Uncertainty is Not Made in the Financial Statements</b></p> <p>If adequate disclosure about the material uncertainty is not made in the FS, the auditor shall:</p> <ul style="list-style-type: none"> <li>• Express a qualified/adverse opinion, as appropriate, in accordance with SA 705(Revised); and</li> <li>• In the Basis for Qualified (Adverse) Opinion section of the AR, state that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a GC and that the FS do not adequately disclose this matter.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p><b><i>Management Unwilling to Make or Extend Its Assessment</i></b></p> <p>If mgt is unwilling to make or extend its assessment when requested to do so by the auditor, the auditor shall consider the implications for the AR.</p>
<p><b>Communication with Those Charged with Governance</b></p>	<p>Unless all TCWG are involved in managing the entity, the auditor shall communicate with TCWG events or conditions identified that may cast significant doubt on the entity’s ability to continue as a GC. Such communication with TCWG shall include the following:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty;</li> <li>• Whether mgt’s use of the GC basis of accounting is appropriate in the preparation of the FS;</li> <li>• The adequacy of related disclosures in the FS; and</li> <li>• Where applicable, the implications for the AR.</li> </ul>
<p><b>Significant Delay in the Approval of Financial Statements</b></p>	<p>If there is significant delay in the approval of the FS by mgt or TCWG after the date of the FS, the auditor shall inquire as to the reasons for the delay. If the auditor believes that the delay could be related to events or conditions relating to the GC assessment, the auditor shall perform those additional audit procedures necessary, as described in paragraph, “Additional Audit Procedures When Events or Conditions Are Identified”, as well as consider the effect on the auditor’s conclusion regarding the existence of a material uncertainty, as described in paragraph A above.</p>



## SA 580, Written Representations

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### Scope of this SA

This SA deals with the auditor's responsibility to obtain WR from mgt and, where appropriate, TCWG.

### Written Representations as Audit Evidence

AE is all the information used by the auditor in arriving at the conclusions on which the audit opinion is based. WR are necessary information that the auditor requires in connection with the audit of the entity's FS. Accordingly, similar to responses to inquiries, WR are AE.

Although WR provide necessary AE, they do not provide SAAE on their own about any of the matters with which they deal. Furthermore, the fact that mgt has provided reliable WR does not affect the nature or extent of other AE that the auditor obtains about the fulfillment of mgt's responsibilities, or about specific assertions.

### Objectives

The objectives of the auditor are:

- To obtain WR from mgt and, where appropriate, TCWG that they believe that they have fulfilled their responsibility for the preparation of the FS and for the completeness of the information provided to the auditor;
- To support other AE relevant to the FS or specific assertions in the FS by means of WR, if determined necessary by the auditor or required by other SAs and
- To respond appropriately to WR provided by mgt and, where appropriate, TCWG, or if mgt or, where appropriate, TCWG do not provide the WR requested by the auditor.

### Key Definitions

**Written representations** – A written statement by mgt provided to the auditor to confirm certain matters or to support other AE. WR in this context do not include FS, the assertions therein, or supporting books and records.

“Management” should be read as “management and, where appropriate, those charged with governance.” Furthermore, in the case of a fair presentation framework, mgt is responsible for the preparation and *fair* presentation of the FS in accordance with the applicable FRF; or the preparation of FS *that give a true and fair view* in accordance with the applicable FRF.

### Requirements of the Standard

Requirements	Description
<b>Management from Whom Written Representations Requested</b>	The auditor shall request WR from mgt with appropriate responsibilities for the FS and knowledge of the matters concerned.
<b>Written Representations about Management's Responsibilities</b>	
<b>Preparation of the Financial</b>	(A)The auditor shall request mgt to provide a WR that it has fulfilled its responsibility for the preparation of the FS in accordance with the

**Ready Referencer on Engagement and Quality Control Standards**

<b>Statements</b>	applicable FRF, including where relevant their fair presentation, as set out in the terms of the audit engagement.
<b>Information Provided and Completeness of Transactions</b>	(B)The auditor shall request mgt to provide a WR that: <ul style="list-style-type: none"> <li>• It has provided the auditor with all relevant information and access as agreed in the terms of the audit engagement, and</li> <li>• All transactions have been recorded and are reflected in the FS.</li> </ul>
<b>Description of Management's Responsibilities in the Written Representations</b>	Mgt's responsibilities shall be described in the WR required by paragraphs (A) and (B) above in the manner in which these responsibilities are described in the terms of the audit engagement.
<b>Other Written Representations</b>	Other SAs require the auditor to request WR. If, in addition to such representations, the auditor determines that it is necessary to obtain one or more WR to support other AE relevant to the FS or one or more specific assertions in the FS, the auditor shall request such other WR.
<b>Date of and Period(s) Covered by Written Representations</b>	The date of the WR shall be as near as practicable to, but not after, the date of the AR on the FS. The written representations shall be for all FS and period(s) referred to in the AR.
<b>Form of Written Representations</b>	The WR shall be in the form of a representation letter addressed to the auditor. If L&R requires mgt to make written public statements about its responsibilities, and the auditor determines that such statements provide some or all of the representations required by paragraphs (A) or (B) above, the relevant matters covered by such statements need not be included in the representation letter.
<b>Doubt as to the Reliability of Written Representations and Requested Written Representations Not Provided</b>	
<b>Doubt as to the Reliability of Written Representations</b>	<p>If the auditor has concerns about the competence, integrity, ethical values or diligence of mgt, or about its commitment to or enforcement of these, the auditor shall determine the effect that such concerns may have on the reliability of representations (oral or written) and AE in general.</p> <p>In particular, if WR are inconsistent with other AE, the auditor shall perform audit procedures to attempt to resolve the matter. If the matter remains unresolved, the auditor shall reconsider the assessment of the competence, integrity, ethical values or diligence of mgt, or of its commitment to or enforcement of these, and shall determine the effect that this may have on the reliability of representations (oral or written) and AE in general.</p> <p>If the auditor concludes that the WR are not reliable, the auditor shall take appropriate actions, including determining the possible effect on the auditor's opinion in accordance with SA 705(Revised), having regard to the requirement in paragraph (C) below.</p>

**Ready Referencer on Engagement and Quality Control Standards**

<b><i>Requested Written Representations Not Provided</i></b>	If mgt does not provide one or more of the requested WR, the auditor shall: <ul style="list-style-type: none"><li>• Discuss the matter with mgt;</li><li>• Re-evaluate the integrity of mgt and evaluate the effect that this may have on the reliability of representations (oral or written) and AE in general; and</li><li>• Take appropriate actions, including determining the possible effect on the auditor's opinion in accordance with SA 705(Revised), having regard to the requirement in paragraph (C) below.</li></ul>
<b><i>Written Representations about Management's Responsibilities</i></b>	(C) The auditor shall disclaim an opinion on the FS in accordance with SA 705(Revised) if: <ul style="list-style-type: none"><li>• The auditor concludes that there is sufficient doubt about the integrity of mgt such that the WR required by paragraphs (A) and (B) above are not reliable; or</li><li>• Mgt does not provide the WR required by paragraphs (A) and (B) above.</li></ul>

## SA 600 - Using the Work of Another Auditor

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### Introduction

The purpose of this SA is to establish standards to be applied in situations where an auditor (referred to herein as the 'principal auditor'), reporting on the FI of an entity, uses the work of another auditor (referred to herein as the 'other auditor') w.r.t. the FI of one or more components included in the FI of the entity. This SA also discusses the principal auditor's responsibility in relation to his use of the work of the other auditor. In this SA, the term FI encompasses FS.

When the principal auditor concludes that the FI of a component is immaterial, the procedures outlined in this SA do not apply. When several components, immaterial in themselves, are together material in relation to the FI of the entity as a whole, the procedures outlined in this SA should be considered.

When the principal auditor uses the work of another auditor, the principal auditor should determine how the work of the other auditor will affect the audit.

### Key Definitions

**"Principal auditor"** means the auditor with responsibility for reporting on the FI of an entity when that FI includes the FI of one or more components audited by another auditor.

**"Other auditor"** means an auditor, other than the principal auditor, with responsibility for reporting on the FI of a component which is included in the FI audited by the principal auditor.

**"Component"** means a division, branch, subsidiary, joint venture, associated enterprises or other entity whose FI is included in the FI audited by the principal auditor.

### Acceptance as Principal Auditor

The auditor should consider whether the auditor's own participation is sufficient to be able to act as the principal auditor. For this purpose the auditor would consider:

- the materiality of the portion of the FI which the principal auditor audits;
- the principal auditor's degree of knowledge regarding the business of the components;
- the ROMM in the FI of the components audited by the other auditor; and
- the performance of additional procedures as set out in this SA regarding the components audited by other auditor resulting in the principal auditor having significant participation in such audit.

### The Principal Auditor's Procedures

When planning to use the work of another auditor, the principal auditor should consider the professional competence of the other auditor in the context of specific assignment if the other auditor is not a member of the ICAI.

The principal auditor should perform procedures to obtain SAAE, that the work of the other auditor is adequate for the principal auditor's purposes, in the context of the specific assignment. When using the work of another auditor, the principal auditor should ordinarily perform the following procedures:

## **Ready Referencer on Engagement and Quality Control Standards**

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- advise the other auditor of the use that is to be made of the other auditor's work and report and make sufficient arrangements for co-ordination of their efforts at the planning stage of the audit. The principal auditor would inform the other auditor of matters such as areas requiring special consideration, procedures for the identification of inter-component transactions that may require disclosure and the time-table for completion of audit; and
- advise the other auditor of the significant accounting, auditing and reporting requirements and obtain representation as to compliance with them.

The principal auditor should consider the significant findings of the other auditor.

The principal auditor may consider it appropriate to discuss with the other auditor and the mgt of the component, the audit findings or other matters affecting the FI of the components. He may also decide that supplemental tests of the records or the FS of the component are necessary. Such tests may, depending upon the circumstances, be performed by the principal auditor or the other auditor.

The principal auditor should document in his working papers the components whose FI was audited by other auditors; their significance to the FI of the entity as a whole; the names of the other auditors; and any conclusions reached that individual components are not material. The principal auditor should also document the procedures performed and the conclusions reached. Where the other AR is other than unmodified, the principal auditor should also document how he has dealt with the qualifications or adverse remarks contained in the other AR in framing his own report.

### **Co-ordination Between Auditors**

There should be sufficient liaison between the principal auditor and the other auditor. For this purpose, the principal auditor may find it necessary to issue written communication(s) to the other auditor.

The other auditor, knowing the context in which his work is to be used by the principal auditor, should co-ordinate with the principal auditor. For example, by bringing to the principal auditor's immediate attention any significant findings requiring to be dealt with at entity level, adhering to the time-table for audit of the component, etc. He should ensure compliance with the relevant statutory requirements. Similarly, the principal auditor should advise the other auditor of any matters that come to his attention that he thinks may have an important bearing on the other auditor's work.

When considered necessary by him, the principal auditor may require the other auditor to answer a detailed questionnaire regarding matters on which the principal auditor requires information for discharging his duties. The other auditor should respond to such questionnaire on a timely basis.

### **Reporting Considerations**

When the principal auditor concludes, based on his procedures, that the work of the other auditor cannot be used and the principal auditor has not been able to perform sufficient additional procedures regarding the FI of the component audited by the other auditor, the principal auditor should express a qualified opinion or disclaimer of opinion because there is a limitation on the scope of audit.

In all circumstances, if the other auditor issues, or intends to issue, a modified AR, the principal auditor should consider whether the subject of the modification is of such nature

## **Ready Referencer on Engagement and Quality Control Standards**

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and significance, in relation to the FI of the entity on which the principal auditor is reporting that it requires a modification of the principal AR.

### **Division of Responsibility**

The principal auditor would not be responsible in respect of the work entrusted to the other auditors, except in circumstances which should have aroused his suspicion about the reliability of the work performed by the other auditors.

When the principal auditor has to base his opinion on the FI of the entity as a whole relying upon the statements and reports of the other auditors, his report should state clearly the division of responsibility for the FI of the entity by indicating the extent to which the FI of components audited by the other auditors have been included in the FI of the entity, e.g., the number of divisions/branches/subsidiaries or other components audited by other auditors.

## SA 610(Revised) - Using the Work of Internal Auditors

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### Scope of this SA

This SA deals with the external auditor's (EA) responsibilities if using the work of internal auditors (IA). This includes (a) using the work of the internal audit function (IAF) in obtaining AE and (b) using IA to provide direct assistance under the direction, supervision and review of the EA.

This SA does not apply if the entity does not have an IAF.

If the entity has an IAF, the requirements in this SA relating to using the work of that function do not apply if:

- The responsibilities and activities of the function are not relevant to the audit; or
- Based on the auditor's preliminary understanding of the function obtained as a result of procedures performed under SA 315, the EA does not expect to use the work of the function in obtaining AE.

This SA does not require the EA to use the work of the IAF to modify the nature or timing, or reduce the extent, of audit procedures to be performed directly by the EA; it remains a decision of the EA in establishing the overall audit strategy.

The requirements in this SA relating to direct assistance do not apply if the EA does not plan to use IA to provide direct assistance.

### The External Auditor's Responsibility for the Audit

The EA has sole responsibility for the audit opinion expressed which is not reduced by the EA use of the work of the IAF or IA to provide direct assistance on the engagement.

### Objectives

The objectives of the EA, where the entity has an IAF and the EA expects to use the work of the function to modify the nature or timing, or reduce the extent, of audit procedures to be performed directly by the EA, or to use IA to provide direct assistance, are:

- To determine whether the work of the IAF or direct assistance from IA can be used, and if so, in which areas and to what extent;

and having made that determination:

- If using the work of the IAF, to determine whether that work is adequate for purposes of the audit; and
- If using IA to provide direct assistance, to appropriately direct, supervise and review their work.

### Key Definitions

- **Internal Audit Function** – A function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity's governance, risk management and internal control processes.
- **Direct assistance** – The use of IA to perform audit procedures under the direction, supervision and review of the EA.

## Requirements of the Standard

Requirements	Description
<b>Determining Whether, in Which Areas, and to What Extent the Work of the Internal Audit Function Can Be Used</b>	
<b><i>Evaluating the Internal Audit Function</i></b>	<p>The EA shall determine whether the work of the IAF can be used for purposes of the audit by evaluating the following:</p> <ul style="list-style-type: none"> <li>• The extent to which the IAF’s organizational status and relevant policies and procedures support the objectivity of the IA;</li> <li>• The level of competence of the IAF; and</li> <li>• Whether the IAF applies a systematic and disciplined approach, including quality control.</li> </ul> <p>The EA shall not use the work of the IAF if the EA determines that:</p> <ul style="list-style-type: none"> <li>• The function’s organizational status and relevant policies and procedures do not adequately support the objectivity of internal auditors;</li> <li>• The function lacks sufficient competence; or</li> <li>• The function does not apply a systematic and disciplined approach, including quality control.</li> </ul>
<b><i>Determining the Nature and Extent of Work of the Internal Audit Function that Can Be Used</i></b>	<p>As a basis for determining the areas and the extent to which the work of the IAF can be used, the EA shall consider the nature and scope of the work performed, or planned to be performed, by the IAF and its relevance to the EA overall audit strategy and audit plan.</p> <p>The EA shall make all significant judgments in the audit engagement and, to prevent undue use of the work of the IAF, shall plan to use less of such work and perform more of the work directly:</p> <ul style="list-style-type: none"> <li>• The more judgment is involved in: <ul style="list-style-type: none"> <li>○ Planning and performing relevant audit procedures; and</li> <li>○ Evaluating the AE gathered;</li> </ul> </li> <li>• The higher the assessed ROMM at the assertion level, with special consideration given to risks identified as significant;</li> <li>• The less the IAF’s organizational status and relevant policies and procedures adequately support the objectivity of the IA; and</li> <li>• The lower the level of competence of the IAF.</li> </ul> <p>The EA shall also evaluate whether, in aggregate, using the work of the IAF to the extent planned would still result in the EA being sufficiently involved in the audit, given the EA sole responsibility for the audit opinion expressed.</p> <p>The EA shall, in communicating with TCWG an overview of the planned scope and timing of the audit in accordance with SA 260(Revised), communicate how the EA has planned to use the work of the IAF.</p>
<b><i>Using the Work of the Internal Audit Function</i></b>	<p>If the EA plans to use the work of the IAF, the EA shall discuss the planned use of its work with the function for coordinating their respective activities.</p>



**Ready Referencer on Engagement and Quality Control Standards**

	<p>The EA shall read the IAF’s reports relating to the work of IAF that the EA plans to use to obtain an understanding of the nature and extent of audit procedures it performed and the related findings.</p> <p>The EA shall perform sufficient audit procedures on the work of the IAF as a whole that the EA plans to use to determine its adequacy for purposes of the audit, including evaluating whether:</p> <ul style="list-style-type: none"> <li>• The work of the function had been properly planned, performed, supervised, reviewed and documented;</li> <li>• Sufficient appropriate evidence had been obtained to enable the function to draw reasonable conclusions; and</li> <li>• Conclusions reached are appropriate in the circumstances and the reports prepared by the function are consistent with the results of the work performed.</li> </ul> <p>The nature and extent of the EA audit procedures shall be responsive to the EA evaluation of:</p> <ul style="list-style-type: none"> <li>• The amount of judgment involved;</li> <li>• The assessed ROMM;</li> <li>• The extent to which the IAF’s organizational status and relevant policies and procedures support the objectivity of the IA; and</li> <li>• The level of competence of the function;</li> </ul> <p>EA audit procedures shall include reperformance of some of the work.</p> <p>The EA shall also evaluate whether the EA conclusions regarding the objectivity, level of competence and approach of the IAF and the determination of the nature and extent of use of the work of IAF for purposes of the audit remain appropriate.</p>
<p><b>Determining Whether, in Which Areas, and to What Extent Internal Auditors Can Be Used to Provide Direct Assistance</b></p>	
<p><b><i>Determining Whether Internal Auditors Can Be Used to Provide Direct Assistance for Purposes of the Audit</i></b></p>	<p>If using IA to provide direct assistance is not prohibited by L&amp;R, and the EA plans to use IA to provide direct assistance, the EA shall evaluate the existence and significance of threats to objectivity and the level of competence of the IA who will be providing such assistance. The EA evaluation w.r.t. IA objectivity shall include inquiry of the IA regarding interests and relationships that may create a threat to their objectivity.</p> <p>The EA shall not use IA to provide direct assistance if:</p> <ul style="list-style-type: none"> <li>• There are significant threats to IA objectivity; or</li> <li>• The IA lacks sufficient competence to perform the proposed work.</li> </ul>
<p><b><i>Determining the Nature and Extent of Work that Can Be Assigned to Internal Auditors Providing Direct Assistance</i></b></p>	<p>In determining the nature and extent of work that may be assigned to IA and the NTE of direction, supervision and review appropriate in the circumstances, the EA shall consider:</p> <ul style="list-style-type: none"> <li>• The amount of judgment involved in: <ul style="list-style-type: none"> <li>○ Planning and performing relevant audit procedures; and</li> <li>○ Evaluating the AE gathered;</li> </ul> </li> <li>• The assessed ROMM; and</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"> <li>• The EA evaluation of the objectivity and level of competence of the IA who will be providing such assistance.</li> </ul> <p>The EA shall not use IA to provide direct assistance to perform procedures that:</p> <ul style="list-style-type: none"> <li>• Involve making significant judgments in the audit;</li> <li>• Relate to higher assessed ROMM where the judgment required in performing the relevant audit procedures or evaluating the AE gathered is more than limited;</li> <li>• Relate to work with which the IA have been involved and which has already been, or will be, reported to mgt or TCWG by the IAF; or</li> <li>• Relate to decisions the EA makes in accordance with this SA regarding the IAF and the use of its work or direct assistance.</li> </ul> <p>The EA shall, in communicating with TCWG an overview of the planned scope and timing of the audit in accordance with SA 260(Revised), communicate the nature and extent of the planned use of IA to provide direct assistance so as to reach a mutual understanding that such use is not excessive in the circumstances of the engagement.</p> <p>The EA shall evaluate whether, in aggregate, planned use of IA to provide direct assistance and planned use of the work of the IAF, would still result in the EA being sufficiently involved in the audit, given the EA sole responsibility for the audit opinion expressed.</p>
<p><b>Using Internal Auditors to Provide Direct Assistance</b></p>	<p>Before using IA to provide direct assistance, the EA shall:</p> <ul style="list-style-type: none"> <li>• Obtain written agreement from an authorized representative of the entity that the IA will be allowed to follow the EA instructions, and the entity will not intervene in the work the IA performs for the EA; and</li> <li>• Obtain written agreement from the IA that they will keep confidential specific matters as instructed by the EA and inform the EA of any threat to their objectivity.</li> </ul> <p>The EA shall direct, supervise and review the work performed by IA in accordance with SA 220. In so doing:</p> <ul style="list-style-type: none"> <li>• The NTE of direction, supervision, and review shall recognize that the IA are not independent of the entity; and</li> <li>• The review procedures shall include the EA checking back to the underlying AE for some of the work performed by the IA.</li> </ul> <p>Such direction, supervision and review shall be sufficient in order for the EA to be satisfied that the IA have obtained SAAE to support the conclusions based on that work.</p> <p>In directing, supervising and reviewing the work performed by IA, the EA shall remain alert for indications that the EA evaluations w.r.t. objectivity and level of competence of IA are no longer appropriate.</p>
<p><b>Documentation</b></p>	<p>In case of use of work of the IAF, the EA shall document:</p> <ul style="list-style-type: none"> <li>• The evaluation of: <ul style="list-style-type: none"> <li>○ Whether the function’s organizational status and relevant</li> </ul> </li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>policies and procedures adequately support the objectivity of the IA;</p> <ul style="list-style-type: none"><li>○ The level of competence of the function; and</li><li>○ Whether the function applies a systematic and disciplined approach, including quality control;</li></ul> <ul style="list-style-type: none"><li>• The nature and extent of the work used and the basis for that decision; and</li><li>• The audit procedures performed by the EA to evaluate the adequacy of the work used.</li></ul> <p>In case of using IA to provide direct assistance, the EA shall document:</p> <ul style="list-style-type: none"><li>• The evaluation of the existence and significance of threats to the objectivity of the IA, and the level of competence of the IA used to provide direct assistance;</li><li>• The basis for the decision regarding the nature and extent of the work performed by the IA;</li><li>• Who reviewed the work performed and the date and extent of that review in accordance with SA 230;</li><li>• The written agreements obtained from an authorized representative of the entity and the IA; and</li><li>• The working papers prepared by the IA who provided direct assistance on the audit engagement.</li></ul>
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## SA 620 - Using the Work of an Auditor's Expert

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### Scope of this SA

This SA deals with the auditor's responsibilities regarding the use of an individual or organisation's work in a field of expertise other than accounting or auditing, when that work is used to assist the auditor in obtaining SAAE.

It does not deal with:

- Situations where the ET includes a member with expertise in specialised area of accounting or auditing, which is dealt with in SA 220; or
- The auditor's use of the work of an individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the FS(a management's expert), which is dealt with in SA 500.

### The Auditor's Responsibility for the Audit Opinion

The auditor has sole responsibility for the audit opinion expressed which is not reduced by the auditor's use of the work of an auditor's expert. Nonetheless, if the auditor having followed this SA, concludes that the work of that expert is adequate for the auditor's purposes, the auditor may accept that expert's findings or conclusions in the expert's field as appropriate AE.

### Objectives

The objectives of the auditor are:

- To determine whether to use the work of an auditor's expert; and
- If using the work of an auditor's expert, to determine whether that work is adequate for the auditor's purposes.

### Key Definitions

- **Auditor's expert** – An individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining SAAE. An auditor's expert may be either an auditor's internal expert (who is a partner or staff, including temporary staff, of the auditor's firm or a network firm), or an auditor's external expert.
- **Expertise** – Skills, knowledge and experience in a particular field.

### Requirements of the Standard

Requirements	Description
<b>Determining the Need for an Auditor's Expert</b>	If expertise in a field other than accounting or auditing is necessary to obtain SAAE, the auditor shall determine whether to use the work of an auditor's expert.
<b>Nature, Timing and Extent of Audit Procedures</b>	The NTE of the auditor's procedures w.r.t. the requirements of this SA will vary depending on the circumstances. In this regard, the auditor shall consider matters including:

**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"> <li>• The nature of the matter to which that expert’s work relates;</li> <li>• The ROMM in the matter to which that expert’s work relates;</li> <li>• The significance of that expert’s work in the context of the audit;</li> <li>• The auditor’s knowledge of and experience with previous work performed by that expert; and</li> <li>• Whether that expert is subject to the auditor’s firm’s QC policies and procedures.</li> </ul>
<p><b>The Competence, Capabilities and Objectivity of the Auditor’s Expert</b></p>	<p>The auditor shall evaluate whether the auditor’s expert has the necessary competence, capabilities and objectivity for the auditor’s purposes. In the case of an auditor’s external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert’s objectivity.</p>
<p><b>Obtaining an Understanding of the Field of Expertise of the Auditor’s Expert</b></p>	<p>The auditor shall obtain a sufficient understanding of the field of expertise of the auditor’s expert to enable the auditor to:</p> <ul style="list-style-type: none"> <li>• Determine the nature, scope and objectives of that expert’s work for the auditor’s purposes; and</li> <li>• Evaluate the adequacy of that work for the auditor’s purposes.</li> </ul>
<p><b>Agreement with the Auditor’s Expert</b></p>	<p>The auditor shall agree, in writing when appropriate, on the following matters with the auditor’s expert:</p> <ul style="list-style-type: none"> <li>• The nature, scope and objectives of that expert’s work;</li> <li>• The respective roles and responsibilities of the auditor and that expert;</li> <li>• The NTE of communication between the auditor and that expert, including the form of any report to be provided by that expert; and</li> <li>• The need for the auditor’s expert to observe confidentiality requirements.</li> </ul>
<p><b>Evaluating the Adequacy of the Auditor’s Expert’s Work</b></p>	<p>The auditor shall evaluate the adequacy of the auditor’s expert’s work for the auditor’s purposes, including:</p> <ul style="list-style-type: none"> <li>• The relevance and reasonableness of that expert’s findings or conclusions, and their consistency with other AE;</li> <li>• If that expert’s work involves use of significant assumptions and methods, their relevance and reasonableness in the circumstances; and</li> <li>• If that expert’s work involves the use of source data significant to that expert’s work, the relevance, completeness, and accuracy of such data.</li> </ul> <p>If the auditor determines that the work of the auditor’s expert is not</p>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>adequate for the auditor's purposes, the auditor shall:</p> <ul style="list-style-type: none"><li>• Agree with that expert on the nature and extent of further work to be performed by that expert; or</li><li>• Perform further audit procedures appropriate to the circumstances.</li></ul>
<b>Reference to the Auditor's Expert in the Auditor's Report</b>	<p>The auditor shall not refer to the work of an auditor's expert in an AR containing an unmodified opinion unless required by L&amp;R to do so. If such reference required by L&amp;R, the auditor shall indicate in the AR that the reference does not reduce the auditor's responsibility for the audit opinion.</p> <p>If the auditor makes reference to the work of an auditor's expert in the AR because such reference is relevant to understanding of auditor's modified opinion, the auditor shall indicate in the AR that such reference does not reduce the auditor's responsibility for that opinion.</p>

## SA 700(Revised) - Forming an Opinion and Reporting on Financial Statements

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### Scope of this SA

This SA deals with the auditor's responsibility to form an opinion on the FS and the form and content of the AR issued as a result of an audit of FS.

SA 701 deals with the auditor's responsibility to communicate KAM in the AR. SA 705(Revised) and SA 706(Revised) deal with how the form and content of the AR are affected when the auditor expresses a modified opinion or includes an EOM paragraph or an OM paragraph in the AR. Other SAs also contain reporting requirements that are applicable when issuing an AR.

This SA applies to an audit of a complete set of general purpose FS and is written in that context. SA 800 deals with special considerations when FS are prepared in accordance with a special purpose framework. SA 805 deals with special considerations relevant to an audit of a single FS or of a specific element, account or item of a FS. This SA also applies to audits for which SA 800 or SA 805 apply.

### Objectives

The objectives of the auditor are:

- To form an opinion on the FS based on an evaluation of the conclusions drawn from the AE obtained; and
- To express clearly that opinion through a written report.

### Key Definitions

- **General purpose financial statements** – FS prepared in accordance with a general purpose framework.
- **General purpose framework** – A FRF designed to meet the common FI needs of a wide range of users. The FRF may be a fair presentation framework or a compliance framework. The term “fair presentation framework” is used to refer to a FRF that requires compliance with the requirements of the framework and:
  - Acknowledges explicitly or implicitly that, to achieve fair presentation of the FS, it may be necessary for mgt to provide disclosures beyond those specifically required by the framework; or
  - Acknowledges explicitly that it may be necessary for mgt to depart from a requirement of the framework to achieve fair presentation of the FS. Such departures are expected to be necessary only in extremely rare circumstances.

The term “compliance framework” is used to refer to a FRF that requires compliance with the requirements of the framework, but does not contain the acknowledgements mentioned above.

- **Unmodified opinion** – The opinion expressed by the auditor when the auditor concludes that the FS are prepared, in all material respects, in accordance with the applicable FRF.

Reference to “FS” in this SA means “a complete set of general purpose FS, including the related notes.” The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information and any other information required to be included as part of the

## Ready Referencer on Engagement and Quality Control Standards

FS by the L&R governing the entity. The requirements of the applicable FRF determine the form and content of the FS, and what constitutes a complete set of FS.

Reference to “Accounting Standards” in this SA includes:

- The Accounting Standards issued by the ICAI; or
- The Standards of Accounting notified by the Central Government in pursuance of section 133 of the Companies Act, 2013 and the Rules thereunder; or
- The International Financial Reporting Standards (IFRSs); or
- The International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board;

as may be applicable to the entity.

## Requirements of the Standard

Requirements	Description
<p><b>Forming an Opinion on the Financial Statements</b></p>	<p>The auditor shall form an opinion on whether the FS are prepared, in all material respects, in accordance with the applicable FRF.</p> <p>To form that opinion, the auditor shall conclude as to whether reasonable assurance obtained about whether the FS as a whole are free from MM, whether due to fraud or error. That conclusion shall take into account:</p> <ul style="list-style-type: none"> <li>• The auditor’s conclusion, in accordance with SA 330, whether SAAE has been obtained;</li> <li>• The auditor’s conclusion, in accordance with SA 450, whether uncorrected misstatements are material, individually or in aggregate; and</li> <li>• The evaluations required by paragraphs given below.</li> </ul> <p>The auditor shall evaluate whether the FS are prepared, in all material respects, in accordance with the requirements of the applicable FRF. This evaluation shall include consideration of the qualitative aspects of the entity’s accounting practices, including indicators of possible bias in mgt’s judgments.</p> <p>In particular, the auditor shall evaluate whether, in view of the requirements of the applicable FRF:</p> <ul style="list-style-type: none"> <li>• The FS adequately disclose the significant accounting policies selected and applied;</li> <li>• The accounting policies selected and applied are consistent with the applicable FRF and are appropriate;</li> <li>• The accounting estimates made by mgt are reasonable;</li> <li>• The information presented in the FS is relevant, reliable, comparable, and understandable;</li> <li>• The FS provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the FS; and</li> <li>• The terminology used in the FS, including the title of each FS, is appropriate.</li> </ul>



**Ready Referencer on Engagement and Quality Control Standards**

	<p>When the FS are prepared in accordance with a fair presentation framework, the evaluation required by paragraphs above shall also include whether the FS achieve fair presentation. Such evaluation shall include consideration of:</p> <ul style="list-style-type: none"> <li>• The overall presentation, structure and content of the FS; and</li> <li>• Whether the FS, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation.</li> </ul> <p>The auditor shall evaluate whether the FS adequately refer to or describe the applicable FRF.</p>
<p><b>Form of Opinion</b></p>	<p>The auditor shall express an unmodified opinion when the auditor concludes that the FS are prepared, in all material respects, in accordance with the applicable FRF.</p> <p>If the auditor:</p> <ul style="list-style-type: none"> <li>• concludes that, based on the AE obtained, the FS as a whole are not free from MM; or</li> <li>• is unable to obtain SAAE to conclude that the FS as a whole are free from MM,</li> </ul> <p>the auditor shall modify the auditor’s opinion in accordance with SA 705(Revised).</p> <p>If FS prepared in accordance with a fair presentation framework do not achieve fair presentation, the auditor shall discuss the matter with mgt and, depending on the requirements of the applicable FRF and how the matter is resolved, shall determine whether it is necessary to modify the auditor’s opinion in accordance with SA 705(Revised).</p> <p>When the FS are prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the FS achieve fair presentation. However, if in extremely rare circumstances the auditor concludes that such FS are misleading, the auditor shall discuss the matter with mgt and, depending on how it is resolved, shall determine whether, and how, to communicate it in the AR .</p>
<p><b>Auditor’s Report</b></p>	
<p><b>Auditor’s Report for Audits Conducted in Accordance with Standards on Auditing</b></p>	<p>The AR shall be in writing.</p> <p><b>Title</b></p> <p>The AR shall have a title that clearly indicates that it is the report of an independent auditor.</p> <p><b>Addressee</b></p> <p>The AR shall be addressed, as appropriate, based on the circumstances of the engagement.</p> <p><b>Auditor’s Opinion</b></p> <p>The first section of the AR shall include the auditor’s opinion, and shall have the heading “Opinion.”</p> <p>The Opinion section shall also:</p> <ul style="list-style-type: none"> <li>• Identify the entity whose FS have been audited;</li> </ul>

## Ready Referencer on Engagement and Quality Control Standards

- State that the FS have been audited;
- Identify the title of each statement comprising the FS;
- Refer to the notes, including the summary of significant accounting policies; and
- Specify the date of, or period covered by, each FS comprising the FS.

When expressing an unmodified opinion on FS prepared in accordance with a fair presentation framework, the auditor's opinion shall, unless otherwise required by L&R, use one of the following phrases, which are regarded as being equivalent:

- In our opinion, the accompanying FS present fairly, in all material respects, [...] in accordance with [the applicable FRF]; or
- In our opinion, the accompanying FS give a true and fair view of [...] in accordance with [the applicable FRF].

When expressing an unmodified opinion on FS prepared in accordance with a compliance framework, the auditor's opinion shall be that the accompanying FS are prepared, in all material respects, in accordance with [the applicable FRF].

If the reference to the applicable FRF in the auditor's opinion is not to Accounting Standards referred to under the heading "Key Definitions", the auditor's opinion shall identify the origin of such other framework.

### ***Basis for Opinion***

The AR shall include a section, directly following the Opinion section, with the heading "Basis for Opinion", that:

- States that the audit was conducted in accordance with SAs;
- Refers to the section of the AR that describes the auditor's responsibilities under the SAs;
- Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shall refer to the Code of Ethics issued by ICAI;
- States whether the auditor believes that the AE the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.

### ***Going Concern***

Where applicable, the auditor shall report in accordance with SA 570 (Revised).

### ***Key Audit Matters***

For audits of complete sets of general purpose FS of listed entities, the auditor shall communicate KAM in the AR in accordance with SA 701.

When the auditor is otherwise required by L&R or decides to communicate KAM in the AR, the auditor shall do so in accordance with SA 701.

**Other Information**

Where applicable, the auditor shall report in accordance with SA 720 (Revised).

**Responsibilities for the Financial Statements**

The AR shall include a section with a heading “Responsibilities of Mgt for the FS.” The AR shall use the term that is appropriate in the context of the legal framework applicable to the entity and need not refer specifically to “mgt”. In some entities, the appropriate reference may be to TCWG.

This section shall describe mgt’s responsibility for:

- Preparing the FS in accordance with the applicable FRF, and for such internal control as mgt determines is necessary to enable the preparation of FS that are free from MM, whether due to fraud or error; and
- Assessing the entity’s ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate as well as disclosing, if applicable, matters relating to going concern. The explanation of mgt’s responsibility for this assessment shall include a description of when the use of the going concern basis of accounting is appropriate.

This section shall also identify those responsible for the oversight of the financial reporting process, when those responsible for such oversight are different from those who fulfill the responsibilities described in paragraph above. In this case, the heading of this section shall also refer to “TCWG” or such term that is appropriate in the context of the legal framework applicable to entity.

When the FS are prepared in accordance with a fair presentation framework, the description of responsibilities for the FS in the AR shall refer to “the preparation and fair presentation of these FS” or “the preparation of FS that give a true and fair view,” as appropriate in the circumstances.

**Auditor’s Responsibilities for the Audit of the Financial Statements**

The AR shall include a section with the heading “Auditor’s Responsibilities for the Audit of the FS.”

(A).This section shall state that:

- The objectives of the auditor are to:
  - Obtain reasonable assurance about whether the FS as a whole are free from MM, whether due to fraud or error; and
  - Issue an AR that includes the auditor’s opinion.
- Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will

## Ready Referencer on Engagement and Quality Control Standards

	<p>always detect a MM when it exists; and</p> <ul style="list-style-type: none"><li>• Misstatements can arise from fraud or error, and either:<ul style="list-style-type: none"><li>○ Describe that they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these FS; or</li><li>○ Provide a definition or description of materiality in accordance with the applicable FRF.</li></ul></li></ul> <p>(B). This Section shall further:</p> <ul style="list-style-type: none"><li>• State that, as part of an audit in accordance with SAs, the auditor exercises PJ and maintains PS throughout the audit; and</li><li>• Describe an audit by stating that the auditor’s responsibilities are:<ul style="list-style-type: none"><li>○ To identify and assess the ROMM of the FS, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain AE that is sufficient and appropriate to provide a basis for the auditor’s opinion. The risk of not detecting a MM resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.</li><li>○ To obtain 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 entity’s internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the FS, the auditor shall omit the abovementioned phrase.</li><li>○ To evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by mgt.</li><li>○ To conclude on the appropriateness of mgt’s use of the going concern basis of accounting and, based on the AE obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the AR to the related disclosures in the FS or, if such disclosures are inadequate, to modify the opinion. The auditor’s conclusions are based on the AE obtained up to the date of the AR. However, future events or conditions may cause an entity to cease to continue as a going concern.</li><li>○ When the FS are prepared in accordance with a fair presentation framework, to evaluate the overall presentation, structure and content of the FS, including the disclosures, and whether the FS represent the underlying transactions and events in a manner that achieves fair presentation.</li></ul></li></ul>
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## Ready Referencer on Engagement and Quality Control Standards

- When SA 600 applies, further describe the auditor's responsibilities in a group audit engagement by stating:

The division of responsibility for the FI of the entity by indicating the extent to which the FI of components audited by the other auditors have been included in the FI of the entity, e.g., the number of divisions/branches/subsidiaries or other components audited by other auditors.

(C). This Section also shall:

- State that the auditor communicates with TCWG regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit;
- State that the auditor provides TCWG with a statement that the auditor has complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards; and
- For audits of FS of all such entities for which KAM are communicated in accordance with SA 701, state that, from the matters communicated with TCWG, the auditor determines those matters that were of most significance in the audit of the FS of the current period and are therefore the KAM. In accordance with the requirements of SA 701, the auditor describes these matters in the AR unless L&R precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the AR because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### ***Location of the description of the auditor's responsibilities for the audit of the financial statements***

The description of the auditor's responsibilities required by Points (B) and (C) above shall be included:

- Within the body of the AR;
- Within an appendix to the AR, in which case the AR shall include a reference to the location of the appendix; or
- By a specific reference within the AR to the location of such a description on a website of an appropriate authority, where law, regulation or the applicable auditing standards expressly permit the auditor to do so.

When the auditor refers to a description of the auditor's responsibilities on a website of an appropriate authority, the auditor shall determine that such description addresses, and is not inconsistent with, the requirements in Points (B) and (C) above.

### ***Other Reporting Responsibilities***

If the auditor addresses other reporting responsibilities in the AR on the FS that are in addition to the auditor's responsibilities under the SAs,

**Ready Referencer on Engagement and Quality Control Standards**

	<p>these other reporting responsibilities shall be addressed in a separate section in the AR with a heading titled “Report on Other Legal and Regulatory Requirements” or otherwise as appropriate to the content of the section, unless these other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the SAs in which case the other reporting responsibilities may be presented in the same section as the related report elements required by the SAs.</p> <p>If other reporting responsibilities are presented in the same section as the related report elements required by the SAs, the AR shall clearly differentiate the other reporting responsibilities from the reporting that is required by the SAs.</p> <p>If the AR contains a separate section that addresses other reporting responsibilities, the requirements of various elements of AR given above shall be included under a section with a heading “Report on the Audit of the Financial Statements.” The “Report on Other Legal and Regulatory Requirements” shall follow the “Report on the Audit of the Financial Statements.”</p> <p><b>Signature of the Auditor</b></p> <p>The AR shall be signed. The report is signed by the auditor (i.e. the engagement partner) in his personal name. Where the firm is appointed as the auditor, the report is signed in the personal name of the auditor and in the name of the audit firm. The partner/proprietor signing the AR also needs to mention the membership number assigned by the ICAI. They also include the registration number of the firm, wherever applicable, as allotted by ICAI, in the audit reports signed by them.</p> <p><b>Place of Signature</b></p> <p>The AR shall name specific location, which is ordinarily the city where the AR is signed.</p> <p><b>Date of the Auditor’s Report</b></p> <p>The AR shall be dated no earlier than the date on which the auditor has obtained SAAE on which to base the auditor’s opinion on the FS, including evidence that:</p> <ul style="list-style-type: none"> <li>• All the statements that comprise the FS, including the related notes, have been prepared; and</li> <li>• Those with the recognized authority have asserted that they have taken responsibility for those FS.</li> </ul>
<p><b>Auditor’s Report Prescribed by Law or Regulation</b></p>	<p>If the auditor is required by L&amp;R applicable to the entity to use a specific layout, or wording of the AR , the AR shall refer to SAs only if the AR includes, at a minimum, each of the following elements:</p> <ul style="list-style-type: none"> <li>• A title.</li> <li>• An addressee, as required by the circumstances of the engagement.</li> <li>• An Opinion section containing an expression of opinion on the FS and a reference to the applicable FRF used to prepare the FS.</li> </ul>

## Ready Referencer on Engagement and Quality Control Standards

	<ul style="list-style-type: none"> <li>• An identification of the entity’s FS that have been audited.</li> <li>• A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor’s other ethical responsibilities in accordance with these requirements. The statement shall refer to the Code of Ethics issued by ICAI.</li> <li>• Where applicable, a section that addresses, and is not inconsistent with, the reporting requirements in paragraph 22 of SA 570 (Revised).</li> <li>• Where applicable, a Basis for Qualified (or Adverse) Opinion section that addresses, and is not inconsistent with, the reporting requirements in paragraph 23 of SA 570 (Revised).</li> <li>• Where applicable, a section that includes the information required by SA 701, or additional information about the audit that is prescribed by L&amp;R and that addresses, and is not inconsistent with, the reporting requirements in that SA.</li> <li>• Where applicable, a section that addresses the reporting requirements in paragraph 24 of SA 720 (Revised).</li> <li>• A description of mgt’s responsibilities for the preparation of the FS and an identification of those responsible for the oversight of the financial reporting process that addresses, and is not inconsistent with, the requirements given under the heading “Responsibilities for the Financial Statements”.</li> <li>• A reference to SA and the L&amp;R, and a description of the auditor’s responsibilities for an audit of the FS that addresses, and is not inconsistent with, the requirements given under the heading “Auditor’s Responsibilities for the Audit of the Financial Statements”.</li> <li>• The auditor’s signature.</li> <li>• The Place of signature</li> <li>• The date of the AR.</li> </ul>
<p><b><i>Auditor’s Report for Audits Conducted in Accordance with Both Standards on Auditing issued by ICAI and International Standards on Auditing or Auditing Standards of Any Other Jurisdiction</i></b></p>	<p>An auditor may be required to conduct an audit in accordance with, in addition to the SAs issued by ICAI, the International Standards on Auditing or auditing standards of any other jurisdiction. If this is the case, the AR may refer to SAs in addition to the International Standards on Auditing or auditing standards of such other jurisdiction, but the auditor shall do so only if:</p> <ul style="list-style-type: none"> <li>• There is no conflict between the requirements in the ISAs or such auditing standards of other jurisdiction and those in SAs that would lead the auditor (i) to form a different opinion, or (ii) not to include an EOM paragraph or OM paragraph that, in the particular circumstances, is required by SAs; and</li> <li>• The AR includes, at a minimum, each of the elements set out under the heading “AR Prescribed by Law or Regulation” when the auditor uses the layout or wording specified by the SAs. However, reference to “law or regulation” shall be read as reference to the SAs. The AR shall thereby identify such SAs.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>When the AR refers to both the ISAs or the auditing standards of a specific jurisdiction and the SAs issued by ICAI, the AR shall clearly identify the same including the jurisdiction of origin of the other auditing standards.</p>
<p><b>Supplementary Information Presented with the Financial Statements</b></p>	<p>If supplementary information that is not required by the applicable FRF is presented with the audited FS, the auditor shall evaluate whether, in the auditor's PJ, supplementary information is nevertheless an integral part of the FS due to its nature or how it is presented. When it is an integral part of the FS, the supplementary information shall be covered by the auditor's opinion.</p> <p>If supplementary information that is not required by the applicable FRF is not considered an integral part of the audited FS, the auditor shall evaluate whether such supplementary information is presented in a way that sufficiently and clearly differentiates it from the audited FS. If this is not the case, then the auditor shall ask mgt to change how the unaudited supplementary information is presented. If mgt refuses to do so, the auditor shall identify the unaudited supplementary information and explain in the AR that such supplementary information has not been audited.</p>



## SA 701 - Communicating Key Audit Matters in the Independent Auditor's Report

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### Scope of this SA

This SA deals with the auditor's responsibility to communicate KAM in the AR. It is intended to address both the auditor's judgment as to what to communicate in the AR and the form and content of such communication.

The purpose of communicating KAM is to enhance the communicative value of the AR by providing greater transparency about the audit that was performed. Communicating KAM provides additional information to intended users of the FS ("intended users") to assist them in understanding those matters that, in the auditor's PJ, were of most significance in the audit of the FS of the current period. Communicating KAM may also assist intended users in understanding the entity and areas of significant management judgment in the audited FS.

Communicating KAM in the AR is in the context of the auditor having formed an opinion on the FS as a whole and it is not:

- A substitute for disclosures in the FS that the applicable FRF requires management to make, or that are otherwise necessary to achieve fair presentation;
- A substitute for modified opinion when required by the circumstances of a specific audit engagement in accordance with SA 705 (Revised);
- A substitute for reporting in accordance with SA 570 (Revised) when a material uncertainty exists relating to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern; or
- A separate opinion on individual matters.

This SA applies to audits of complete sets of general purpose FS of listed entities and circumstances when the auditor otherwise decides to communicate KAM in the AR. This SA also applies when the auditor is required by L&R to communicate KAM in the AR. However, SA 705(Revised) prohibits communicating KAM in case of disclaimer of opinion, unless such reporting is required by L&R.

### Objectives

The objectives of the auditor are to determine KAM and, having formed an opinion on the FS, communicate those matters by describing them in the AR.

### Key Definition

**Key audit matters** - Those matters that, in the auditor's PJ, were of most significance in the audit of the FS of the current period. KAM are selected from matters communicated with TCWG.

## Requirements of the Standard

Requirements	Description
<p><b>Determining Key Audit Matters</b></p>	<p>The auditor shall determine, from the matters communicated with TCWG, those matters that required significant auditor attention in performing the audit. In making this determination, the auditor shall take into account the following:</p> <ul style="list-style-type: none"> <li>• Areas of higher assessed ROMM, or significant risks identified in accordance with SA 315.</li> <li>• Significant auditor judgments relating to areas in the FS that involved significant mgt judgment, including accounting estimates identified as having high estimation uncertainty.</li> <li>• The effect on the audit of significant events or transactions that occurred during the period.</li> </ul> <p>The auditor shall determine which of the matters determined in accordance with paragraph above were of most significance in the audit of the FS of the current period and therefore are the KAM.</p>
<p><b>Communicating Key Audit Matters</b></p>	
	<p>The auditor shall describe each KAM, using an appropriate subheading, in a separate section of the AR under the heading “Key Audit Matters”. The introductory language of KAM Section shall state that:</p> <ul style="list-style-type: none"> <li>• KAM are those matters that, in the auditor’s PJ, were of most significance in the audit of the FS of the current period; and</li> <li>• These matters were addressed in the context of the audit of the FS as a whole, and in forming the auditor’s opinion thereon, and the auditor does not provide a separate opinion on these matters.</li> </ul>
<p><b>Key Audit Matters Not a Substitute for Expressing a Modified Opinion</b></p>	<p>The auditor shall not communicate a matter in the KAM section when the auditor would be required to modify the opinion in accordance with SA 705 (Revised) as a result of the matter.</p>
<p><b>Descriptions of Individual Key Audit Matters</b></p>	<p>The description of each KAM in the KAM section shall include a reference to the related disclosure(s), if any, in the FS and shall address:</p> <ul style="list-style-type: none"> <li>• Why the matter was considered to be one of most significance in the audit and therefore determined to be a KAM; and</li> <li>• How the matter was addressed in the audit.</li> </ul>
<p><b>Circumstances in Which a Matter Determined to Be a Key Audit Matter is Not Communicated in the Auditor’s Report</b></p>	<p>The auditor shall describe each KAM in the AR unless:</p> <ul style="list-style-type: none"> <li>• L&amp;R precludes public disclosure about the matter; or</li> <li>• In extremely rare circumstances, the auditor determines that the matter should not be communicated in the AR because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	This shall not apply if the entity has publicly disclosed information about the matter.
<b><i>Interaction between Descriptions of Key Audit Matters and Other Elements Required to Be Included in the Auditor's Report</i></b>	<p>A matter giving rise to a modified opinion in accordance with SA 705 (Revised), or a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with SA 570 (Revised), are by their nature KAM. However these matters shall not be described in the KAM section and the auditor shall:</p> <ul style="list-style-type: none"> <li>• Report on these matter(s) in accordance with the applicable SA(s); and</li> <li>• Include a reference to the Basis for Qualified (Adverse) Opinion or the Material Uncertainty Related to Going Concern section(s) in the KAM section.</li> </ul>
<b><i>Form and Content of the Key Audit Matters Section in Other Circumstances</i></b>	If the auditor determines, depending on the facts and circumstances of the entity and the audit, that (a) there are no KAM to communicate or (b) the only KAM communicated are matters regarding modified opinion or material uncertainty relating to going concern, the auditor shall include a statement to this effect in a separate section of the AR under the heading "Key Audit Matters."
<b><i>Communication with Those Charged with Governance</i></b>	<p>The auditor shall communicate with TCWG:</p> <ul style="list-style-type: none"> <li>• Those matters the auditor has determined to be the KAM; or</li> <li>• If applicable, depending on the facts and circumstances of the entity and the audit, the auditor's determination that there are no KAM to communicate in the AR.</li> </ul>
<b><i>Documentation</i></b>	<p>The auditor shall include in the audit documentation:</p> <ul style="list-style-type: none"> <li>• The matters that required significant auditor attention and the rationale for the auditor's determination as to whether or not each of these matters is a KAM;</li> <li>• Where applicable, the rationale for the auditor's determination that there are no KAM to communicate in the AR or that the only KAM to communicate are matters regarding modified opinion or material uncertainty relating to going concern; and</li> <li>• Where applicable, the rationale for the auditor's determination not to communicate in the AR a matter determined to be a KAM.</li> </ul>

## SA 705(Revised) - Modifications to the Opinion in the Independent Auditor's Report

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### Scope of this SA

This SA deals with the auditor's responsibility to issue an appropriate report in circumstances when, in forming an opinion in accordance with SA 700(Revised), the auditor concludes that a modified opinion on the FS is necessary. It also deals with how the form and content of the AR is affected when the auditor expresses a modified opinion. In all cases, the reporting requirements in SA 700 (Revised) apply, and are not repeated in this SA unless they are explicitly addressed or amended by the requirements of this SA.

### Types of Modified Opinions

This SA establishes three types of modified opinions, namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding appropriate type of modified opinion depends upon:

- The nature of the matter giving rise to the modification, that is, whether the FS are materially misstated or, in the case of an inability to obtain SAAE, may be materially misstated; and
- The auditor's judgment about the pervasiveness of the effects or possible effects of the matter on the FS.

### Objective

The objective of the auditor is to express clearly an appropriately modified opinion on the FS that is necessary when:

- The auditor concludes, based on the AE obtained, that the FS as a whole are not free from MM; or
- The auditor is unable to obtain SAAE to conclude that the FS as a whole are free from MM.

### Key Definitions

- **Pervasive** – A term used, in the context of misstatements, to describe the effects on the FS of misstatements or the possible effects on the FS of misstatements, if any, that are undetected due to an inability to obtain SAAE. Pervasive effects on the FS are those that, in the auditor's judgment:
  - Are not confined to specific elements, accounts or items of the FS;
  - If so confined, represent or could represent a substantial proportion of the FS; or
  - In relation to disclosures, are fundamental to users' understanding of the FS.
- **Modified opinion** – A qualified opinion, an adverse opinion or a disclaimer of opinion on the FS.

## Requirements of the Standard

Requirements	Description
<b>Circumstances When a Modification to the Auditor's Opinion is Required</b>	The auditor shall modify the auditor's opinion when: <ul style="list-style-type: none"> <li>• The auditor concludes that, based on the AE obtained, the FS as a whole are not free from MM; or</li> <li>• The auditor is unable to obtain SAAE to conclude that the FS as a whole are free from MM.</li> </ul>
<b>Determining the Type of Modification to the Auditor's Opinion</b>	
<b>Qualified Opinion</b>	The auditor shall express a qualified opinion when: <ul style="list-style-type: none"> <li>• The auditor, having obtained SAAE, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the FS; or</li> <li>• The auditor is unable to obtain SAAE on which to base the opinion, but the auditor concludes that the possible effects on the FS of undetected misstatements, if any, could be material but not pervasive.</li> </ul>
<b>Adverse Opinion</b>	The auditor shall express an adverse opinion when the auditor, having obtained SAAE, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the FS.
<b>Disclaimer of Opinion</b>	The auditor shall disclaim an opinion when the auditor is unable to obtain SAAE on which to base the opinion, and the auditor concludes that the possible effects on the FS of undetected misstatements, if any, could be both material and pervasive.  The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained SAAE regarding each of the individual uncertainties, it is not possible to form an opinion on the FS due to the potential interaction of the uncertainties and their possible cumulative effect on the FS.
<b>Consequence of an Inability to Obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation after the Auditor Has Accepted the Engagement</b>	If, after accepting the engagement, the auditor becomes aware that mgt has imposed a scope limitation likely to result in the need to express qualified / disclaimer of opinion on the FS, the auditor shall request mgt to remove the limitation.  If mgt refuses to remove the limitation referred above, the auditor shall communicate the matter to TCWG, unless all of TCWG are involved in managing the entity, and determine whether it is possible to perform alternative procedures to obtain SAAE.  If the auditor is unable to obtain SAAE, the auditor shall determine the implications as follows: <ul style="list-style-type: none"> <li>• If the auditor concludes that the possible effects on the FS of undetected misstatements, if any, could be material but not pervasive, qualify the opinion; or</li> <li>• If the auditor concludes that the possible effects on the FS of</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>undetected misstatements, if any, could be both material and pervasive so that a qualification of the opinion would be inadequate to communicate the gravity of the situation:</p> <ul style="list-style-type: none"> <li>○ Withdraw from the audit, where practicable and possible under applicable L&amp;R; or</li> <li>○ If withdrawal from the audit before issuing the AR not practicable or possible, disclaim an opinion on the FS.</li> </ul> <p>If the auditor withdraws as contemplated above, before withdrawing, the auditor shall communicate to TCWG any matters regarding misstatements identified during the audit that would have given rise to a modification of the opinion.</p>
<p><b>Other Considerations Relating to an Adverse Opinion or Disclaimer of Opinion</b></p>	<p>When considered necessary to express an adverse opinion or disclaim an opinion on the FS as a whole, the AR shall not also include an unmodified opinion w.r.t. the same FRF on a single FS or one or more specific elements, accounts or items of a FS since such unmodified opinion in the same report would contradict the auditor’s adverse opinion or disclaimer of opinion on the FS as a whole.</p>
<p><b>Form and Content of the Auditor’s Report When the Opinion is Modified</b></p>	
<p><b>Auditor’s Opinion</b></p>	<p>When the auditor modifies the audit opinion, the auditor shall use the heading “Qualified Opinion,” “Adverse Opinion,” or “Disclaimer of Opinion,” as appropriate, for the Opinion section.</p> <p><b>Qualified Opinion (wordings of auditor’s opinion)</b></p> <p>(a) In case of qualified opinion due to a MM in the FS, the auditor shall state that, in the auditor’s opinion, except for the effects of the matter(s) described in the Basis for Qualified Opinion section:</p> <ul style="list-style-type: none"> <li>• When reporting in accordance with a fair presentation framework, the accompanying FS present fairly, in all material respects (or give a true and fair view of) [...] in accordance with [the applicable FRF]; or</li> <li>• When reporting in accordance with a compliance framework, the accompanying FS have been prepared, in all material respects, in accordance with [the applicable FRF].</li> </ul> <p>(b) In case of qualified opinion due to an inability to obtain SAAE, the auditor shall use the corresponding phrase “except for the possible effects of the matter(s) ...” for the modified opinion.</p> <p><b>Adverse Opinion (wordings of auditor’s opinion)</b></p> <p>When the auditor expresses an adverse opinion, the auditor shall state that, in the auditor’s opinion, because of the significance of the matter(s) described in the Basis for Adverse Opinion section:</p> <ul style="list-style-type: none"> <li>• When reporting in accordance with a fair presentation framework, the accompanying FS do not present fairly (or give a true and fair view of) [...] in accordance with [the applicable FRF]; or</li> <li>• When reporting in accordance with a compliance framework, the accompanying FS have not been prepared, in all material respects, in accordance with [the applicable FRF].</li> </ul>

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	<p><b><i>Disclaimer of Opinion (wordings of auditor's opinion)</i></b></p> <p>When the auditor disclaims an opinion due to an inability to obtain SAAE, the auditor shall:</p> <ul style="list-style-type: none"> <li>• State that the auditor does not express an opinion on the accompanying FS;</li> <li>• State that, because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor has not been able to obtain SAAE to provide a basis for an audit opinion on the FS; and</li> <li>• Amend the statement required by SA 700(Revised), which indicates that the FS have been audited, to state that the auditor was engaged to audit the FS.</li> </ul>
<p><b><i>Basis for Opinion</i></b></p>	<p>When the auditor modifies the opinion on the FS, the auditor shall, in addition to the specific elements required by SA 700 (Revised):</p> <ul style="list-style-type: none"> <li>• Amend the heading “Basis for Opinion” to “Basis for Qualified Opinion,” “Basis for Adverse Opinion,” or “Basis for Disclaimer of Opinion,” as appropriate; and</li> <li>• Within this section, include a description of the matter giving rise to the modification.</li> </ul> <p>If there is a MM of the FS relating to specific amounts in the FS (including quantitative disclosures in the notes to the FS), include in the Basis for Opinion section a description and quantification of the financial effects of the misstatement, unless impracticable. If it is not practicable to quantify the financial effects, so state in this section.</p> <p>If there is a MM of the FS relating to narrative disclosures, include in the Basis for Opinion section an explanation of how the disclosures are misstated.</p> <p>If there is a MM of the FS that relates to the non-disclosure of information required to be disclosed, :</p> <ul style="list-style-type: none"> <li>• Discuss the non-disclosure with TCWG;</li> <li>• Describe in the Basis for Opinion section the nature of the omitted information; and</li> <li>• Unless prohibited by L&amp;R, include the omitted disclosures, provided it is practicable to do so and the auditor has obtained SAAE about the omitted information.</li> </ul> <p>If the modification results from an inability to obtain SAAE, include in the Basis for Opinion section the reasons for that inability.</p> <p>In case of qualified or adverse opinion, the auditor shall amend the statement about whether the AE obtained is sufficient and appropriate to provide a basis for the auditor’s opinion to include the word “qualified” or “adverse”, as appropriate.</p> <p>In case of disclaimer of opinion, the AR shall not include the following</p>

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	<p>elements required by SA 700(Revised):</p> <ul style="list-style-type: none"> <li>• A reference to the section of the AR where the auditor’s responsibilities are described; and</li> <li>• A statement about whether the AE obtained is sufficient and appropriate to provide a basis for the auditor’s opinion.</li> </ul> <p>Even if the auditor has expressed an adverse opinion or disclaimed an opinion on the FS, the auditor shall describe in the Basis for Opinion section the reasons for any other matters of which the auditor is aware that would have required a modification to the opinion, and the effects thereof.</p> <p><b><i>Description of Auditor’s Responsibilities for the Audit of the Financial Statements When the Auditor Disclaims an Opinion on the Financial Statements</i></b></p> <p>When the auditor disclaims an opinion on the FS due to an inability to obtain SAAE, the auditor shall amend the description of the auditor’s responsibilities required by SA 700(Revised) to include only the following:</p> <ul style="list-style-type: none"> <li>• A statement that the auditor’s responsibility is to conduct an audit of the entity’s FS in accordance with SAs and to issue an AR;</li> <li>• A statement that, however, because of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor was not able to obtain SAAE to provide a basis for an audit opinion on the FS; and</li> <li>• The statement about auditor independence and other ethical responsibilities as required by SA 700(Revised).</li> </ul>
<p><b><i>Considerations When the Auditor Disclaims an Opinion on the Financial Statements</i></b></p>	<p>Unless required by L&amp;R, when the auditor disclaims an opinion on the FS, the AR shall not include a KAM section in accordance with SA 701 or an Other Information section in accordance with SA 720(Revised).</p>
<p><b><i>Communication with Those Charged with Governance</i></b></p>	<p>When the auditor expects to modify auditor’s opinion, the auditor shall communicate with TCWG the circumstances that led to the expected modification and the wording of the modification.</p>



## **SA 706(Revised) - Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report**

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### **Scope of this SA**

This SA deals with additional communication in the AR when the auditor considers it necessary to:

- Draw users' attention to a matter(s) presented or disclosed in the FS that are of such importance that they are fundamental to users' understanding of the FS; or
- Draw users' attention to any matter(s) other than those presented or disclosed in the FS that are relevant to users' understanding of the audit, the auditor's responsibilities or the AR.

When the auditor includes a KAM section in the AR, this SA addresses the relationship between KAM and any additional communication in the AR in accordance with this SA.

### **Objective**

The objective of the auditor, having formed an opinion on the FS, is to draw users' attention, when in the auditor's judgment it is necessary to do so, by way of clear additional communication in the AR, to:

- A matter, although appropriately presented or disclosed in the FS, that is of such importance that it is fundamental to users' understanding of the FS; or
- As appropriate, any other matter that is relevant to users' understanding of the audit, the auditor's responsibilities or the AR.

### **Key Definitions**

- ***Emphasis of Matter paragraph*** – A paragraph included in the AR that refers to a matter appropriately presented or disclosed in the FS that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the FS.
- ***Other Matter paragraph*** – A paragraph included in the AR that refers to a matter other than those presented or disclosed in the FS that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the AR.

### **Requirements of the Standard**

<b>Requirements</b>	<b>Description</b>
<b>Emphasis of Matter Paragraphs in the Auditor's Report</b>	<p>If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the FS that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the FS, the auditor shall include an EOM paragraph in the AR provided:</p> <ul style="list-style-type: none"> <li>• The auditor would not be required to modify the opinion in accordance with SA 705 (Revised) as a result of the matter; and</li> <li>• When SA 701 applies, the matter has not been determined to be a KAM to be communicated in the AR.</li> </ul> <p>When the auditor includes an EOM paragraph in the AR, the auditor</p>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>shall:</p> <ul style="list-style-type: none"> <li>• Include the paragraph within a separate section of the AR with an appropriate heading that includes the term “EOM”;</li> <li>• Include in the paragraph a clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the FS. The paragraph shall refer only to information presented or disclosed in the FS; and</li> <li>• Indicate that the auditor’s opinion is not modified in respect of the matter emphasized.</li> </ul>
<p><b>Other Matter Paragraphs in the Auditor’s Report</b></p>	<p>If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the FS that, in the auditor’s judgment, is relevant to users’ understanding of the audit, the auditor’s responsibilities or the AR, the auditor shall include an OM paragraph in the AR, provided:</p> <ul style="list-style-type: none"> <li>• This is not prohibited by L&amp;R; and</li> <li>• When SA 701 applies, the matter has not been determined to be a KAM to be communicated in the AR.</li> </ul> <p>When the auditor includes an OM paragraph in the AR, the auditor shall include the paragraph within a separate section with the heading “Other Matter,” or other appropriate heading.</p>
<p><b>Communication with Those Charged with Governance</b></p>	<p>If the auditor expects to include EOM/ OM paragraph in the AR, the auditor shall communicate with TCWG regarding this expectation and the wording of this paragraph.</p>

## SA 710 - Comparative Information - Corresponding Figures and Comparative Financial Statements

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### Scope of this SA

This SA deals with the auditor's responsibilities regarding comparative information in an audit of FS. When the FS of the prior period were audited by a predecessor auditor or were not audited, the requirements and guidance in SA 510 regarding opening balances also apply.

### *The Nature of Comparative Information*

The nature of the comparative information presented in an entity's FS depends on the requirements of the applicable FRF. There are two different broad approaches to the auditor's reporting responsibilities in respect of such comparative information: corresponding figures and comparative FS. The approach to be adopted is often specified by L&R but may also be specified in the terms of engagement.

The essential audit reporting differences between the approaches are:

- For corresponding figures, the auditor's opinion on the FS refers to the current period only; whereas
- For comparative FS, the auditor's opinion refers to each period for which FS are presented.

This SA addresses separately the auditor's reporting requirements for each approach.

### Objectives

The objectives of the auditor are:

- To obtain SAAE about whether the comparative information included in the FS has been presented, in all material respects, in accordance with the requirements for comparative information in the applicable FRF; and
- To report in accordance with the auditor's reporting responsibilities.

### Key Definitions

- **Comparative information** – The amounts and disclosures included in the FS in respect of one or more prior periods in accordance with the applicable FRF.
- **Corresponding figures** – Comparative information where amounts and other disclosures for the prior period are included as an integral part of the current period FS, and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as "current period figures"). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures.
- **Comparative financial statements** – Comparative information where amounts and other disclosures for the prior period are included for comparison with the FS of the current period but, if audited, are referred to in the auditor's opinion. The level of information included in those comparative FS is comparable with that of the FS of the current period.

## Requirements of the Standard

Requirements	Description
<p><b>Audit Procedures</b></p>	<p>The auditor shall determine whether the FS include the comparative information required by the applicable FRF and whether such information is appropriately classified. For this purpose, the auditor shall evaluate whether:</p> <ul style="list-style-type: none"> <li>• The comparative information agrees with the amounts and other disclosures presented in the prior period; and</li> <li>• The accounting policies reflected in the comparative information are consistent with those applied in the current period or, if there have been changes in accounting policies, whether those changes have been properly accounted for and adequately presented and disclosed.</li> </ul> <p>If the auditor becomes aware of a possible MM in the comparative information while performing the current period audit, the auditor shall perform such additional audit procedures as are necessary in the circumstances to obtain SAAE to determine whether a MM exists. If the auditor had audited the prior period's FS, the auditor shall also follow the relevant requirements of SA 560.</p> <p>As required by SA 580, the auditor shall request WR for all periods referred to in the auditor's opinion. The auditor shall also obtain a specific WR regarding any prior period item that is separately disclosed in the current year's statement of profit and loss.</p>
<p><b>Audit Reporting</b></p>	
<p><b>Corresponding Figures</b></p>	<p>When corresponding figures are presented, the auditor's opinion shall not refer to the corresponding figures except in the circumstances described below.</p> <p>If the AR on the prior period, as previously issued, included a modified opinion and the matter which gave rise to the modification is unresolved, the auditor shall modify the auditor's opinion on the current period's FS. In the Basis for Modification paragraph in the AR, the auditor shall either:</p> <ul style="list-style-type: none"> <li>• Refer to both the current period's figures and the corresponding figures in the description of the matter giving rise to the modification when the effects or possible effects of the matter on the current period's figures are material; or</li> <li>• In other cases, explain that the audit opinion has been modified because of the effects or possible effects of the unresolved matter on the comparability of the current period's figures and the corresponding figures.</li> </ul> <p>If the auditor obtains AE that a MM exists in the prior period FS on which an unmodified opinion has been previously issued, the auditor shall verify whether the misstatement dealt with as required under the applicable</p>

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	<p>FRF and, if not, the auditor shall express a qualified/ adverse opinion on the current period FS, modified w.r.t the corresponding figures included therein.</p> <p><b>Prior Period Financial Statements Audited by a Predecessor Auditor</b></p> <p>If the FS of the prior period were audited by a predecessor auditor and the auditor is permitted by L&amp;R to refer to the predecessor AR on the corresponding figures and decides to do so, the auditor shall state in an OM paragraph:</p> <ul style="list-style-type: none"> <li>• That the FS of the prior period were audited by the predecessor auditor;</li> <li>• The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and</li> <li>• The date of that report.</li> </ul> <p><b>Prior Period Financial Statements Not Audited</b></p> <p>If the prior period FS were not audited, the auditor shall state in an OM paragraph that the corresponding figures are unaudited. Such a statement does not, however, relieve the auditor of the requirement to obtain SAAE that the opening balances do not contain misstatements that materially affect the current period's FS.</p>
<p><b>Comparative Financial Statements</b></p>	<p>When comparative FS are presented, the auditor's opinion shall refer to each period for which FS are presented and on which an audit opinion is expressed.</p> <p>When reporting on prior period FS in connection with the current period's audit, if the auditor's opinion on such prior period FS differs from the opinion the auditor previously expressed, the auditor shall disclose the substantive reasons for the different opinion in an OM paragraph in accordance with SA 706(Revised).</p> <p><b>Prior Period Financial Statements Audited by a Predecessor Auditor</b></p> <p>If the FS of the prior period were audited by a predecessor auditor, in addition to expressing an opinion on the current period's FS, the auditor shall state in an OM paragraph:</p> <ul style="list-style-type: none"> <li>• That the FS of the prior period were audited by a predecessor auditor;</li> <li>• The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and</li> <li>• The date of that report;</li> </ul> <p>unless the predecessor AR on the prior period's FS is revised with the FS.</p> <p>If the auditor concludes that a MM exists that affects the prior period FS on which the predecessor auditor had previously reported without modification, the auditor shall communicate the misstatement with the appropriate level of mgt and TCWG and request that the predecessor</p>

**Ready Referencer on Engagement and Quality Control Standards**

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	<p>auditor be informed. If the prior period FS are amended, and the predecessor auditor agrees to issue a new AR on the amended FS of the prior period, the auditor shall report only on the current period.</p> <p><b><i>Prior Period Financial Statements Not Audited</i></b></p> <p>If the prior period FS were not audited, the auditor shall state in an OM paragraph that the comparative FS are unaudited. Such a statement does not, however, relieve the auditor of the requirement to obtain SAAE that the opening balances do not contain misstatements that materially affect the current period's FS.</p>
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## SA 720(Revised) - The Auditor's Responsibilities Relating to Other Information

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### Scope of this SA

This SA deals with the auditor's responsibilities relating to other information (OI), whether financial or non-financial information (other than FS and the AR thereon), included in an entity's annual report.

The auditor's opinion on the FS does not cover the OI, and this SA does not require the auditor to obtain AE beyond that required to form an opinion on the FS.

This SA requires the auditor to read and consider the OI because OI that is materially inconsistent with the FS or the auditor's knowledge obtained in the audit may indicate that there is a MM of the FS or that a MM of the OI exists, either of which may undermine the credibility of the FS and the AR thereon. Such MM may also inappropriately influence the economic decisions of the users for whom the AR is prepared.

The auditor's responsibilities relating to OI (other than applicable reporting responsibilities) apply regardless of whether the OI is obtained by the auditor prior to, or after, the date of the AR.

This SA does not apply to:

- Preliminary announcements of FI; or
- Securities offering documents, including prospectuses.

The auditor's responsibilities under this SA do not constitute an assurance engagement on OI or impose an obligation on the auditor to obtain assurance about the OI.

### Objectives

The objectives of the auditor, having read the OI, are:

- To consider whether there is a material inconsistency between the OI and the FS;
- To consider whether there is a material inconsistency between the OI and the auditor's knowledge obtained in the audit;
- To respond appropriately when the auditor identifies that such material inconsistencies appear to exist, or when the auditor otherwise becomes aware that OI appears to be materially misstated; and
- To report in accordance with this SA.

### Key Definitions

- **Annual report** – A document, or combination of documents, prepared typically on an annual basis by mgt or TCWG in accordance with law, regulation or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the FS. An annual report contains or accompanies the FS and the AR thereon and usually includes information about

## Ready Referencer on Engagement and Quality Control Standards

the entity's developments, its future outlook and risks and uncertainties, a statement by the entity's governing body, and reports covering governance matters.

- **Misstatement of the other information** – A misstatement of the OI exists when the OI is incorrectly stated or otherwise misleading (including because it omits or obscures information necessary for a proper understanding of a matter disclosed in the OI).
- **Other information** – Financial or non-financial information (other than FS and the AR thereon) included in an entity's annual report.

## Requirements of the Standard

Requirements	Description
<b>Obtaining the Other Information</b>	<p>The auditor shall:</p> <ul style="list-style-type: none"> <li>• Determine, through discussion with mgt, which document(s) comprises the annual report, and the entity's planned manner and timing of the issuance of such document(s);</li> <li>• Make appropriate arrangements with mgt to obtain timely and, if possible, prior to the date of the AR, the final version of such document(s); and</li> <li>• When some or all of such document(s) will not be available until after the date of the AR, request mgt to provide a WR that the final version of the document(s) will be provided to the auditor when available, and prior to its issuance by the entity, such that the auditor can complete the procedures required by this SA.</li> </ul>
<b>Reading and Considering the Other Information</b>	<p>The auditor shall read the OI and, in doing so shall:</p> <ul style="list-style-type: none"> <li>• Consider whether there is a material inconsistency between the OI and the FS. As the basis for this consideration, the auditor shall, to evaluate their consistency, compare selected amounts or other items in the OI (that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the FS) with such amounts or other items in the FS; and</li> <li>• Consider whether there is a material inconsistency between the OI and the auditor's knowledge obtained in the audit, in the context of AE obtained and conclusions reached in the audit.</li> </ul> <p>While reading the OI, the auditor shall remain alert for indications that the OI not related to the FS or the auditor's knowledge obtained in the audit appears to be materially misstated.</p>
<b>Responding When a Material Inconsistency Appears to Exist or Other Information Appears to Be Materially Misstated</b>	<p>If the auditor identifies that a material inconsistency appears to exist (or becomes aware that the OI appears to be materially misstated), the auditor shall discuss the matter with mgt and, if necessary, perform other procedures to conclude whether:</p> <ul style="list-style-type: none"> <li>• A MM of the OI exists;</li> <li>• A MM of the FS exists; or</li> <li>• The auditor's understanding of the entity and its environment needs to be updated.</li> </ul>



**Ready Referencer on Engagement and Quality Control Standards**

<p><b>Responding When the Auditor Concludes That a Material Misstatement of the Other Information Exists</b></p>	<p>If the auditor concludes that a MM of the OI exists, the auditor shall request mgt to correct the OI. If mgt:</p> <ul style="list-style-type: none"> <li>• Agrees to make the correction, the auditor shall determine that the correction has been made; or</li> <li>• Refuses to make the correction, the auditor shall communicate the matter with TCWG and request that the correction be made.</li> </ul> <p><b>MM exists in OI obtained prior to the date of AR</b></p> <p>If the auditor concludes that a MM exists in OI obtained prior to the date of the AR, and the OI is not corrected after communicating with TCWG, the auditor shall take appropriate action, including:</p> <ul style="list-style-type: none"> <li>• Considering the implications for the AR and communicating with TCWG about how the auditor plans to address the MM in the AR or</li> <li>• Withdrawing from the engagement, where possible under applicable L&amp;R.</li> </ul> <p><b>MM exists in OI obtained after the date of AR</b></p> <p>If the auditor concludes that a MM exists in OI obtained after the date of the AR, the auditor shall:</p> <ul style="list-style-type: none"> <li>• If the OI is corrected, perform the procedures necessary in the circumstances; or</li> <li>• If the OI is not corrected after communicating with TCWG, take appropriate action considering the auditor’s legal rights and obligations, to seek to have the uncorrected MM appropriately brought to the attention of users for whom the AR is prepared.</li> </ul>
<p><b>Responding When a Material Misstatement in the Financial Statements Exists or the Auditor’s Understanding of the Entity and Its Environment Needs to Be Updated</b></p>	<p>If, as a result of performing the procedures given under the heading “Reading and Considering the OI”, the auditor concludes that a MM in the FS exists or the auditor’s understanding of the entity and its environment needs updation, the auditor shall respond appropriately in accordance with the other SAs.</p>
<p><b>Reporting</b></p>	
	<p>The AR shall include a separate section with a heading “Other Information”, or other appropriate heading, when, at the date of the AR:</p> <ul style="list-style-type: none"> <li>• In case of a listed entity, the auditor has obtained, or expects to obtain, the OI; or</li> <li>• In case of an unlisted corporate entity, the auditor has obtained some or all of the OI.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>When the AR is required to include an OI section in accordance with paragraph above, this section shall include:</p> <ul style="list-style-type: none"> <li>• A statement that mgt is responsible for the OI;</li> <li>• An identification of:             <ul style="list-style-type: none"> <li>(i) OI, if any, obtained by the auditor prior to the date of the AR and</li> <li>(ii) For an audit of FS of a listed entity, OI, if any, expected to be obtained after the date of the AR;</li> </ul> </li> <li>• A statement that the auditor’s opinion does not cover the OI and, accordingly, the auditor does not express (or will not express) an audit opinion or any form of assurance conclusion thereon;</li> <li>• A description of the auditor’s responsibilities relating to reading, considering and reporting on OI as required by this SA; and</li> <li>• When OI has been obtained prior to the date of the AR, either:             <ul style="list-style-type: none"> <li>○ A statement that the auditor has nothing to report; or</li> <li>○ If the auditor has concluded that there is an uncorrected MM of the OI, a statement that describes the uncorrected MM of the OI.</li> </ul> </li> </ul> <p>When the auditor expresses a qualified or adverse opinion in accordance with SA 705 (Revised), the auditor shall consider the implications of the matter giving rise to the modification of opinion for the statement required in last bullet point above.</p>
<p><b>Reporting Prescribed by Law or Regulation</b></p>	<p>If the auditor is required by a relevant L&amp;R to refer to the OI in the AR using a specific layout or wording, the AR shall refer to SAs only if the AR includes, at a minimum:</p> <ul style="list-style-type: none"> <li>• Identification of the OI obtained by the auditor prior to the date of the AR;</li> <li>• A description of the auditor’s responsibilities w.r.t the OI; and</li> <li>• An explicit statement addressing the outcome of the auditor’s work for this purpose.</li> </ul>
<p><b>Documentation</b></p>	<p>The auditor shall include in the audit documentation:</p> <ul style="list-style-type: none"> <li>• Documentation of the procedures performed under this SA; and</li> <li>• The final version of the OI on which the auditor performed the work required under this SA.</li> </ul>

## SA 800 - Special Considerations - Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

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### Scope of this SA

SAs in the 100-700 series apply to an audit of FS. This SA deals with special considerations in the application of those SAs to an audit of FS prepared in accordance with a special purpose framework (SPF).

This SA is written in the context of a complete set of FS prepared in accordance with a SPF. SA 805 deals with special considerations relevant to an audit of a single FS or of a specific element, account or item of a FS.

This SA does not override the requirements of other SAs; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

### Objective

The objective of the auditor, when applying SAs in an audit of FS prepared in accordance with a SPF, is to address appropriately the special considerations relevant to:

- The acceptance of the engagement;
- The planning and performance of that engagement; and
- Forming an opinion and reporting on the FS but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

### Key Definitions

- **Special purpose financial statements** – FS prepared in accordance with a SPF.
- **Special purpose framework** – A FRF designed to meet the FI needs of specific users. The FRF may be a fair presentation framework or a compliance framework.

### Requirements of the Standard

Requirements	Description
<b>Considerations When Accepting the Engagement</b>	
<b>Acceptability of the Financial Reporting Framework</b>	SA 210 requires the auditor to determine the acceptability of the FRF applied in the preparation of the FS. In an audit of special purpose financial statements(SPFS), the auditor shall obtain an understanding of: <ul style="list-style-type: none"> <li>• The purpose for which the FS are prepared;</li> <li>• The intended users; and</li> <li>• The steps taken by mgt to determine that the applicable FRF is acceptable in the circumstances.</li> </ul>
<b>Considerations When Planning and</b>	SA 200 requires the auditor to comply with all SAs relevant to the audit. In planning and performing an audit of SPFS, the auditor shall

**Ready Referencer on Engagement and Quality Control Standards**

<p><b>Performing the Audit</b></p>	<p>determine whether application of the SAs requires special consideration in the circumstances of the engagement.</p> <p>SA 315 requires the auditor to obtain an understanding of the entity's selection and application of accounting policies. In the case of FS prepared in accordance with the provisions of a contract, the auditor shall obtain an understanding of any significant interpretations of the contract that mgt made in the preparation of those FS. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the FS.</p>
<p><b>Forming an Opinion and Reporting Considerations</b></p>	
	<p>When forming an opinion and reporting on SPFS, the auditor shall apply the requirements in SA 700 (Revised).</p>
<p><b>Description of the Applicable Financial Reporting Framework</b></p>	<p>SA 700 (Revised) requires the auditor to evaluate whether the FS adequately refer to or describe the applicable FRF. In the case of FS prepared in accordance with the provisions of a contract, the auditor shall evaluate whether the FS adequately describe any significant interpretations of the contract on which the FS are based.</p> <p>SA 700 (Revised) deals with the form and content of the AR. In the case of an AR on SPFS:</p> <ul style="list-style-type: none"> <li>• The AR shall also describe the purpose for which the FS are prepared and, if necessary, the intended users, or refer to a note in the SPFS that contains that information; and</li> <li>• If mgt has a choice of FRFs in the preparation of such FS, the explanation of mgt's responsibility for the FS shall also make reference to its responsibility for determining that the applicable FRF is acceptable in the circumstances.</li> </ul>
<p><b>Alerting Readers that the Financial Statements Are Prepared in Accordance with a Special Purpose Framework</b></p>	<p>The AR on SPFS shall include an EOM paragraph alerting users of the AR that the FS are prepared in accordance with a SPF and as a result, the FS may not be suitable for another purpose. The auditor shall include this paragraph under an appropriate heading.</p>

## SA 805 - Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

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### Scope of this SA

SAs in the 100-700 series apply to an audit of FS and are to be adapted as necessary when applied to audits of other historical financial information. This SA deals with special considerations in the application of those SAs to an audit of a single FS or of a specific element, account or item of a FS which may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, SA 800 also applies to the audit.

This SA does not override the requirements of other SAs; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

### Objective

The objective of the auditor, when applying SAs in an audit of a single FS or of a specific element, account or item of a FS, is to address appropriately the special considerations relevant to:

- The acceptance of the engagement;
- The planning and performance of that engagement; and
- Forming an opinion and reporting on the single FS or on the specific element, account or item of a FS but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

### Key Definitions

- “**Element of a financial statement**” or “**element**” means an “element, account or item of a FS”;
- A single financial statement (for example, a cash flow statement) or a specific element of a FS (for example, cash and bank balances) includes the related notes. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information relevant to the FS or to the element.

### Requirements of the Standard

Requirements	Description
<b>Considerations When Accepting the Engagement</b>	
<b>Application of SAs</b>	SA 200 requires the auditor to comply with all SAs relevant to the audit. In the case of an audit of single FS/ specific element of a FS, this requirement applies irrespective of whether the auditor is also engaged to audit the entity's complete set of FS. If not so engaged, the auditor shall determine whether the audit of single FS/specific element of those FS in accordance with SAs is practicable.

## Ready Referencer on Engagement and Quality Control Standards

<p><b>Acceptability of the Financial Reporting Framework</b></p>	<p>SA 210 requires the auditor to determine the acceptability of the FRF applied in the preparation of the FS. In the case of an audit of single FS/specific element of a FS, this shall include whether application of the FRF will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the FS or the element, and the effect of material transactions and events on the information conveyed in the FS or the element.</p>
<p><b>Form of Opinion</b></p>	<p>SA 210 requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor. In the case of an audit of single FS/specific element of a FS, the auditor shall consider whether the expected form of opinion is appropriate in the circumstances.</p>
<p><b>Considerations When Planning and Performing the Audit</b></p>	<p>SA 200 states that SAs are written in the context of an audit of FS; they are to be adapted as necessary in the circumstances when applied to audits of other historical FI. In planning and performing the audit of single FS/ specific element of a FS, the auditor shall adapt all SAs relevant to the audit as necessary in circumstances of the engagement.</p>
<p><b>Forming an Opinion and Reporting Considerations</b></p>	
	<p>When forming an opinion and reporting on single FS/specific element of a FS, the auditor shall apply the requirements in SA 700 (Revised), adapted as necessary in the circumstances of the engagement.</p>
<p><b>Reporting on the Entity's Complete Set of Financial Statements and on a Single Financial Statement or on a Specific Element of Those Financial Statements</b></p>	<p>If the auditor undertakes an engagement to report on single FS/specific element of a FS in conjunction with an engagement to audit the entity's complete set of FS, the auditor shall express a separate opinion for each engagement.</p> <p>An audited single FS/audited specific element of a FS may be published together with the entity's audited complete set of FS. If the auditor concludes that the presentation of the single FS/ specific element of a FS does not differentiate it sufficiently from the complete set of FS, the auditor shall ask mgt to rectify the situation. The auditor shall also differentiate the opinion on the single FS/ the specific element of a FS from the opinion on the complete set of FS. The auditor shall not issue the AR containing the opinion on single FS/ specific element of a FS until satisfied with the differentiation.</p> <p><b>Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Entity's Complete Set of Financial Statements</b></p> <p>If the auditor's opinion on an entity's complete set of FS is modified, or AR includes an EOM / OM paragraph, the auditor shall determine its possible effect on the AR on single FS/specific element of those FS. When deemed appropriate, the auditor shall modify the opinion on single FS/specific element of a FS, or include an EOM/OM paragraph in the</p>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>AR, accordingly.</p> <p>If the auditor concludes that it is necessary to express an adverse/disclaim an opinion on the entity's complete set of FS as a whole, SA 705(Revised) does not permit the auditor to include in the same AR an unmodified opinion on a single FS/specific element that forms part of those FS. This is because such an unmodified opinion would contradict the adverse/ disclaimer of opinion on the entity's complete set of FS as a whole.</p> <p>If the auditor concludes that it is necessary to express an adverse/disclaim an opinion on the entity's complete set of FS as a whole but, in the context of a separate audit of a specific element that is included in those FS, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:</p> <ul style="list-style-type: none"><li>• The auditor is not prohibited by L&amp;R from doing so;</li><li>• That opinion is expressed in an AR that is not published together with the AR containing the adverse/disclaimer of opinion; and</li><li>• The specific element does not constitute a major portion of the entity's complete set of FS.</li></ul> <p>The auditor shall not express an unmodified opinion on a single FS of a complete set of FS if the auditor has expressed an adverse/disclaimed an opinion on the complete set of FS as a whole even if the AR on the single FS is not published together with the AR containing the adverse/disclaimer of opinion. This is because a single FS is deemed to constitute a major portion of those FS.</p>
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## SA 810 - Engagements to Report on Summary Financial Statements

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### Scope of this SA

This SA deals with the auditor's responsibilities when undertaking an engagement to report on summary financial statements (SFS) derived from FS audited in accordance with SAs by that same auditor.

### Objectives

The objectives of the auditor are to:

- Determine whether it is appropriate to accept the engagement to report on SFS;
- Form an opinion on the SFS based on an evaluation of the conclusions drawn from the evidence obtained; and
- Express clearly that opinion through a written report that also describes the basis for that opinion.

### Key Definitions

- **Applied criteria** – The criteria applied by mgt in the preparation of the SFS.
- **Audited financial statements** – FS audited by the auditor in accordance with SAs, and from which the SFS are derived.
- **Summary financial statements** – Historical FI that is derived from FS but that contains less detail than the FS, while still providing a structured representation consistent with that provided by the FS of the entity's economic resources or obligations at a point in time or the changes therein for a period of time. Different jurisdictions may use different terminology to describe such historical FI.

### Requirements of the Standard

Requirements	Description
<b>Engagement Acceptance</b>	<p>The auditor shall, ordinarily, accept an engagement to report on SFS in accordance with this SA only when the auditor has been engaged to conduct an audit in accordance with SAs of the FS from which the SFS are derived.</p> <p>Before accepting an engagement to report on SFS, the auditor shall:</p> <ul style="list-style-type: none"> <li>• Determine whether the applied criteria are acceptable;</li> <li>• Obtain the agreement of mgt that it acknowledges and understands its responsibility: <ul style="list-style-type: none"> <li>○ For the preparation of the SFS in accordance with the applied criteria;</li> <li>○ To make the audited FS available to the intended users of the SFS without undue difficulty (or, if L&amp;R provides that the audited FS need not be made available to the intended users of the SFS and establishes the criteria for the preparation of the SFS, to</li> </ul> </li> </ul>



**Ready Referencer on Engagement and Quality Control Standards**

	<p>describe that L&amp;R in the SFS); and</p> <ul style="list-style-type: none"> <li>○ To include the AR on the SFS in any document that contains the SFS and that indicates that the auditor has reported on them.</li> <li>● Agree with mgt the form of opinion to be expressed on the SFS.</li> </ul> <p>If the auditor concludes that the applied criteria are unacceptable or is unable to obtain the agreement of mgt mentioned above, the auditor shall not accept the engagement, unless required by L&amp;R to do so.</p>
<p><b>Nature of Procedures</b></p>	<p>The auditor shall perform the following procedures, and any other procedures considered necessary, as the basis for the auditor's opinion on the SFS:</p> <ul style="list-style-type: none"> <li>● Evaluate whether the SFS adequately disclose their summarised nature and identify the audited FS.</li> <li>● When SFS are not accompanied by the audited FS, evaluate whether they describe clearly: <ul style="list-style-type: none"> <li>○ From whom or where the audited FS are available; or</li> <li>○ The L&amp;R that specifies that the audited FS need not be made available to the intended users of the SFS and establishes the criteria for the preparation of the SFS.</li> </ul> </li> <li>● Evaluate whether the SFS adequately disclose the applied criteria.</li> <li>● Compare the SFS with the related information in the audited FS to determine whether the SFS agree with or can be re-calculated from such information.</li> <li>● Evaluate whether the SFS are prepared in accordance with the applied criteria.</li> <li>● Evaluate, in view of the purpose of the SFS, whether the SFS contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.</li> <li>● Evaluate whether the audited FS are available to the intended users of the SFS without undue difficulty, unless L&amp;R provides that they need not be made available and establishes the criteria for the preparation of the SFS.</li> </ul>
<p><b>Form of Opinion</b></p>	<p>When the auditor has concluded that an unmodified opinion on the SFS is appropriate, the auditor's opinion shall, unless otherwise required by L&amp;R, use one of the following phrases:</p> <ul style="list-style-type: none"> <li>● The SFS are consistent, in all material respects, with the audited FS, in accordance with [the applied criteria]; or</li> <li>● The SFS are a fair summary of the audited FS, in accordance with [the applied criteria].</li> </ul> <p>If L&amp;R prescribes different wording of the opinion on SFS from wording described above, the auditor shall:</p> <ul style="list-style-type: none"> <li>● Apply the procedures described in paragraph "Nature of Procedures" and any further procedures necessary to enable the auditor to express the prescribed opinion; and</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"> <li>• Evaluate whether users of the SFS might misunderstand the auditor’s opinion on the SFS and, if so, whether additional explanation in the AR on the SFS can mitigate possible misunderstanding.</li> </ul> <p>If the auditor concludes that additional explanation in the AR on the SFS cannot mitigate possible misunderstanding, the auditor shall not accept the engagement, unless required by L&amp;R to do so.</p>
<p><b>Timing of Work and Events Subsequent to the Date of the Auditor’s Report on the Audited Financial Statements</b></p>	<p>The AR on the SFS may be dated later than the date of the AR on the audited FS. In such cases, the AR on the SFS shall state that the SFS and audited FS do not reflect the effects of events that occurred subsequent to the date of the AR on the audited FS that may require adjustment of, or disclosure in, the audited FS.</p> <p>The auditor may become aware of facts that existed at the date of the AR on the audited FS, but of which the auditor previously was unaware. In such cases, the auditor shall not issue the AR on the SFS until the auditor’s consideration of such facts in relation to the audited FS in accordance with SA 560 has been completed.</p>
<p><b>Auditor’s Report on Summary Financial Statements</b></p>	
<p><b><i>Elements of the Auditor’s Report</i></b></p>	<p>The AR on SFS shall include the following elements:</p> <ul style="list-style-type: none"> <li>• A title clearly indicating it as the report of an independent auditor.</li> <li>• An addressee.</li> <li>• An introductory paragraph that:             <ul style="list-style-type: none"> <li>○ Identifies the SFS, including the title of each statement included in the SFS;</li> <li>○ Identifies the audited FS;</li> <li>○ Refers to the AR on the audited FS, its date, and, subject to paragraphs given below, the fact that an unmodified opinion is expressed thereon;</li> <li>○ If the date of the AR on the SFS is later than the date of the AR on the audited FS, states that the SFS and the audited FS do not reflect the effects of events that occurred subsequent to the date of the AR on the audited FS; and</li> <li>○ A statement indicating that the SFS do not contain all the disclosures required by the FRF applied in the preparation of the audited FS, and that reading the SFS is not a substitute for reading the audited FS.</li> </ul> </li> <li>• A description of mgt’s responsibility for the SFS, explaining that mgt is responsible for the preparation of the SFS in accordance with the applied criteria.</li> <li>• A statement that the auditor is responsible for expressing an opinion on the SFS based on the procedures required by this SA.</li> <li>• A paragraph clearly expressing an opinion.</li> <li>• The auditor’s signature.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"> <li>• The date of the AR.</li> <li>• The place of signature.</li> </ul> <p>If the addressee of the SFS is not the same as the addressee of the audited FS, evaluate the appropriateness of using a different addressee.</p> <p>The auditor shall date the AR on the SFS no earlier than:</p> <ul style="list-style-type: none"> <li>• The date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion, including evidence that the SFS have been prepared and those with the recognised authority have asserted that they have taken responsibility for them; and</li> <li>• The date of the AR on the audited FS.</li> </ul>
<p><b><i>Modifications to the Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor’s Report on the Audited Financial Statements</i></b></p>	<p>When the AR on the audited FS contains a qualified opinion, an EOM/OM paragraph, but the auditor satisfied that the SFS are consistent, in all material respects, with or are a fair summary of the audited FS, in accordance with the applied criteria, the AR on the SFS shall, in addition to the elements in paragraph given above:</p> <ul style="list-style-type: none"> <li>• State that the AR on the audited FS contains a qualified opinion, an EOM/OM paragraph; and</li> <li>• Describe: <ul style="list-style-type: none"> <li>○ The basis for the qualified opinion on the audited FS, and that qualified opinion; or the EOM/OM paragraph; and</li> <li>○ The effect thereof on the SFS, if any.</li> </ul> </li> </ul> <p>When the AR on the audited FS contains an adverse/disclaimer of opinion, the AR on the SFS shall, in addition to the elements in paragraph given above:</p> <ul style="list-style-type: none"> <li>• State that the AR on the audited FS contains an adverse/disclaimer of opinion;</li> <li>• Describe the basis for that adverse/disclaimer of opinion; and</li> <li>• State that, as a result of the adverse/disclaimer of opinion, it is inappropriate to express an opinion on the SFS.</li> </ul>
<p><b><i>Modified Opinion on the Summary Financial Statements</i></b></p>	<p>If the SFS are not consistent, in all material respects, with or are not a fair summary of the audited FS, in accordance with the applied criteria, and mgt does not agree to make the necessary changes, the auditor shall express an adverse opinion on the SFS.</p>
<p><b><i>Restriction on Distribution or Use or Alerting Readers to the Basis of Accounting</i></b></p>	<p>When distribution/use of the AR on the audited FS is restricted, or the said report alerts readers that the audited FS are prepared in accordance with a special purpose framework, the auditor shall include a similar restriction or alert in the AR on the SFS.</p>
<p><b><i>Comparatives</i></b></p>	<p>If the audited FS contain comparatives, but the SFS do not, the auditor shall determine whether such omission is reasonable. The auditor shall determine the effect of an unreasonable omission on the AR on the SFS.</p> <p>If the SFS contain comparatives reported on by another auditor, the AR</p>

**Ready Referencer on Engagement and Quality Control Standards**

	on the SFS shall also contain the matters required by SA 710 in the AR on the audited FS.
<b>Unaudited Supplementary Information Presented with Summary Financial Statements</b>	The auditor shall evaluate whether any unaudited supplementary information presented with the SFS is clearly differentiated from the SFS. If unaudited supplementary information is not clearly differentiated from the SFS, the auditor shall ask mgt to change its presentation. If mgt refuses, the auditor shall explain in the AR on the SFS that such information is not covered by that report.
<b>Other Information in Documents Containing Summary Financial Statements</b>	The auditor shall read the other information included in a document containing the SFS and related AR to consider whether there is a material inconsistency between the other information and the SFS. If the auditor identifies a material inconsistency, the auditor shall determine whether the SFS/other information needs revision. If, the auditor becomes aware that the other information needs revision, the auditor shall discuss the matter with mgt.
<b>Auditor Association</b>	<p>If the auditor becomes aware that the entity plans to state that the auditor has reported on SFS in a document containing the SFS, but does not plan to include the related AR, the auditor shall request mgt to include the AR in the document. If mgt does not do so, the auditor shall determine and carry out other appropriate actions designed to prevent mgt from inappropriately associating the auditor with the SFS in that document.</p> <p>The auditor may be engaged to report on the FS, while not engaged to report on the SFS. If, in this case, the auditor becomes aware that the entity plans to make a statement in a document that refers to the auditor and the fact that SFS are derived from the FS audited by the auditor, the auditor shall be satisfied that:</p> <ul style="list-style-type: none"> <li>• The reference to the auditor is made in the context of the AR on the audited FS; and</li> <li>• The statement does not give the impression that the auditor has reported on the SFS.</li> </ul> <p>If above conditions are not met, the auditor shall request mgt to change the statement to meet them, or not to refer to the auditor in the document. Alternatively, the entity may engage the auditor to report on the SFS and include the related AR in the document. If mgt does not change the statement, delete the reference to the auditor, or include an AR on the SFS in the document containing the SFS, the auditor shall advise mgt that the auditor disagrees with such reference, and the auditor shall determine and carry out other appropriate actions designed to prevent mgt from inappropriately referring to the auditor.</p>

## SRE 2400(Revised) - Engagements to Review Historical Financial Statements

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### Scope of this SRE

This SRE deals with:

- The practitioner's responsibilities when engaged to perform a review of historical FS, when the practitioner is not the auditor of the entity's FS; and
- The form and content of the practitioner's report on the FS.

This SRE does not address a review of an entity's FS or interim FI performed by a practitioner who is the independent auditor of the entity's FS.

This SRE is to be applied, adapted as necessary, to reviews of other historical FI.

### ***Relationship with SQC 1***

The provisions of this SRE regarding QC at the level of individual review engagements are premised on the basis that the firm is subject to SQC 1.

### **The Engagement to Review Historical Financial Statements**

The review of historical FS is a limited assurance engagement, as described in the Framework for Assurance Engagements.

In a review of FS, the practitioner expresses a conclusion designed to enhance the degree of confidence of intended users regarding the preparation of an entity's FS in accordance with an applicable FRF. The practitioner's conclusion is based on the practitioner obtaining limited assurance. The practitioner's report includes a description of the nature of a review engagement as context for the readers of the report to be able to understand the conclusion.

The practitioner performs primarily inquiry and AP to obtain sufficient appropriate evidence as the basis for a conclusion on the FS as a whole, expressed in accordance with the requirements of this SRE.

If the practitioner becomes aware of a matter that causes the practitioner to believe the FS may be materially misstated, the practitioner designs and performs additional procedures, as the practitioner considers necessary in the circumstances, to be able to conclude on the FS in accordance with this SRE.

### **Objectives**

The practitioner's objectives in a review of FS under this SRE are to:

- Obtain limited assurance, primarily by performing inquiry and AP, about whether the FS as a whole are free from MM, thereby enabling the practitioner to express a conclusion on whether anything has come to the practitioner's attention that causes the practitioner to believe the FS are not prepared, in all material respects, in accordance with an applicable FRF; and
- Report on the FS as a whole and communicate, as required by this SRE.

## Ready Referencer on Engagement and Quality Control Standards

In all cases when limited assurance cannot be obtained and a qualified conclusion in the practitioner's report is insufficient in the circumstances, this SRE requires that the practitioner either disclaim a conclusion in the report issued for the engagement or, where appropriate, withdraw from the engagement if withdrawal is possible under applicable L&R.

### Key Definitions

- Limited Assurance** – The level of assurance obtained where engagement risk is reduced to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for expressing a conclusion in accordance with this SRE. The combination of the nature, timing and extent of evidence gathering procedures is at least sufficient for the practitioner to obtain a meaningful level of assurance. To be meaningful, the level of assurance obtained by the practitioner is likely to enhance the intended users' confidence about the financial statements.

### Requirements of the Standard

Requirements	Description
<b>Conduct of a Review Engagement in Accordance with this SRE</b>	<p>The practitioner shall comply with each requirement of this SRE, unless a requirement is not relevant to the review engagement. A requirement is relevant to the review engagement when the circumstances addressed by the requirement exist.</p> <p>The practitioner shall not represent compliance with this SRE in the practitioner's report unless the practitioner has complied with all the requirements of this SRE relevant to the review engagement.</p>
<b>Ethical Requirements</b>	The practitioner shall comply with relevant ethical requirements, including those pertaining to independence.
<b>Professional Skepticism and Professional Judgment</b>	<p>The practitioner shall plan and perform the engagement with PS recognizing that circumstances may exist that cause the FS to be materially misstated.</p> <p>The practitioner shall exercise PJ in conducting a review engagement.</p>
<b>Engagement Level Quality Control</b>	<p>The EP shall possess competence in assurance skills and techniques, and competence in financial reporting, appropriate to the engagement circumstances.</p> <p>The EP shall take responsibility for:</p> <ul style="list-style-type: none"> <li>The overall quality of each review engagement to which that partner is assigned;</li> <li>The direction, supervision, planning and performance of the review engagement in compliance with professional standards and applicable legal and regulatory requirements;</li> <li>The practitioner's report being appropriate in the circumstances; and</li> <li>The engagement being performed in accordance with the firm's QC policies.</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

<b>Acceptance and Continuance of Client Relationships and Review Engagements</b>	
<p><b><i>Preconditions for Accepting Review Engagement</i></b></p>	<p>Prior to accepting a review engagement, the practitioner shall:</p> <ul style="list-style-type: none"> <li>• Determine whether the FRF applied in the preparation of the FS is acceptable including, in the case of special purpose FS, obtaining an understanding of the purpose for which the FS are prepared and of the intended users; and</li> <li>• Obtain the agreement of mgt that it acknowledges and understands its responsibilities: <ul style="list-style-type: none"> <li>○ For preparation of the FS in accordance with the applicable FRF, including, where relevant, their fair presentation;</li> <li>○ For such internal control as mgt determines is necessary to enable the preparation of FS that are free from MM, whether due to fraud or error; and</li> <li>○ To provide the practitioner with: <ul style="list-style-type: none"> <li>▪ Access to all information of which mgt is aware that is relevant to the preparation of the FS, such as records, documentation and other matters;</li> <li>▪ Additional information that the practitioner may request from mgt for the purpose of the review; and</li> <li>▪ Unrestricted access to persons within the entity from whom the practitioner determines it necessary to obtain evidence.</li> </ul> </li> </ul> </li> </ul> <p>If the practitioner is not satisfied as to any of the matters set out above as preconditions for accepting a review engagement, the practitioner shall discuss the matter with mgt or TCWG. If changes cannot be made to satisfy the practitioner as to those matters, the practitioner shall not accept the proposed engagement unless required by L&amp;R to do so.</p>
<p><b><i>Agreeing the Terms of Engagement</i></b></p>	<p>The practitioner shall agree the terms of the engagement with mgt or TCWG, as appropriate, prior to performing the engagement.</p> <p>The agreed terms of engagement shall be recorded in an engagement letter or other suitable form of written agreement, and shall include:</p> <ul style="list-style-type: none"> <li>• The intended use and distribution of the FS, and any restrictions on use or distribution where applicable;</li> <li>• Identification of the applicable FRF;</li> <li>• The objective and scope of the review engagement;</li> <li>• The responsibilities of the practitioner;</li> <li>• The responsibilities of mgt;</li> <li>• A statement that the engagement is not an audit, and that the practitioner will not express an audit opinion on the FS; and</li> <li>• Reference to the expected form and content of the report to be issued by the practitioner, and a statement that there may be</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>circumstances in which the report may differ from its expected form and content.</p>
<p><b>Acceptance of a Change in the Terms of the Review Engagement</b></p>	<p>The practitioner shall not agree to a change in the terms of the engagement where there is no reasonable justification for doing so.</p> <p>If, prior to completing the review engagement, the practitioner is requested to change the engagement to an engagement for which no assurance is obtained, the practitioner shall determine whether there is reasonable justification for doing so.</p> <p>If the terms of engagement are changed during the course of the engagement, the practitioner and mgt or TCWG, as appropriate, shall agree on and record the new terms of the engagement in an engagement letter or other suitable form of written agreement.</p>
<p><b>Communication with Management and Those Charged with Governance</b></p>	<p>The practitioner shall communicate with mgt or TCWG, as appropriate, on a timely basis during the course of the review engagement, all matters concerning the review engagement that, in the practitioner’s PJ, are of sufficient importance to merit the attention of mgt or TCWG, as appropriate.</p>
<p><b>Performing the Engagement</b></p>	
<p><b>Materiality in a Review of Financial Statements</b></p>	<p>The practitioner shall determine materiality for the FS as a whole, and apply this materiality in designing the procedures and in evaluating the results obtained from those procedures.</p> <p>The practitioner shall revise materiality for the FS as a whole in the event of becoming aware of information during the review that would have caused the practitioner to have determined a different amount initially.</p>
<p><b>The Practitioner’s Understanding</b></p>	<p>The practitioner shall obtain an understanding of the entity and its environment, and the applicable FRF, to identify areas in the FS where MM are likely to arise and thereby provide a basis for designing procedures to address those areas.</p>
<p><b>Designing and Performing Procedures</b></p>	<p>In obtaining sufficient appropriate evidence as the basis for a conclusion on the FS as a whole, the practitioner shall design and perform inquiry and AP:</p> <ul style="list-style-type: none"> <li>• To address all material items in the FS, including disclosures; and</li> <li>• To focus on addressing areas in the FS where MM are likely to arise.</li> </ul> <p>The practitioner’s inquiries of mgt and others within the entity, as appropriate, shall include the following:</p> <ul style="list-style-type: none"> <li>• How mgt makes the significant accounting estimates required under the applicable FRF;</li> <li>• The identification of related parties and related party transactions, including the purpose of those transactions;</li> <li>• Whether there are significant, unusual or complex transactions, events or matters that have affected or may affect the entity’s FS,</li> </ul>



**Ready Referencer on Engagement and Quality Control Standards**

	<p>including:</p> <ul style="list-style-type: none"> <li>○ Significant changes in the entity's business activities or operations;</li> <li>○ Significant changes to the terms of contracts that materially affect the entity's FS, including terms of finance and debt contracts or covenants;</li> <li>○ Significant journal entries or other adjustments to the FS;</li> <li>○ Significant transactions occurring or recognized near the end of the reporting period;</li> <li>○ The status of any uncorrected misstatements identified during previous engagements; and</li> <li>○ Effects or possible implications for the entity of transactions or relationships with related parties;</li> </ul> <ul style="list-style-type: none"> <li>● The existence of any actual, suspected or alleged: <ul style="list-style-type: none"> <li>○ Fraud or illegal acts affecting the entity; and</li> <li>○ Non-compliance with provisions of L&amp;R that are generally recognized to have a direct effect on the determination of material amounts and disclosures in the FS, such as tax and pension L&amp;R;</li> </ul> </li> <li>● Whether mgt has identified and addressed events occurring between the date of the FS and the date of the practitioner's report that require adjustment of, or disclosure in, the FS;</li> <li>● The basis for mgt's assessment of the entity's ability to continue as a going concern;</li> <li>● Whether there are events or conditions that appear to cast doubt on the entity's ability to continue as a going concern;</li> <li>● Material commitments, contractual obligations or contingencies that have affected or may affect the entity's FS, including disclosures; and</li> <li>● Material non-monetary transactions or transactions for no consideration in the financial reporting period under consideration.</li> </ul> <p>In designing AP, the practitioner shall consider whether the data from the entity's accounting system and accounting records are adequate for the purpose of performing the AP.</p>
<p><b><i>Reconciling the FS to the Underlying Accounting Records</i></b></p>	<p>The practitioner shall obtain evidence that the FS agree with, or reconcile to, the entity's underlying accounting records.</p>
<p><b><i>Additional Procedures When the Practitioner</i></b></p>	<p>If the practitioner becomes aware of a matter(s) that causes the practitioner to believe the FS may be materially misstated, the practitioner shall design and perform additional procedures sufficient to</p>

**Ready Referencer on Engagement and Quality Control Standards**

<p><b><i>Becomes Aware that the FS May Be Materially Misstated</i></b></p>	<p>enable the practitioner to:</p> <ul style="list-style-type: none"> <li>• Conclude that the matter(s) is not likely to cause the FS as a whole to be materially misstated; or</li> <li>• Determine that the matter(s) causes the FS as a whole to be materially misstated.</li> </ul>
<p><b><i>Evaluating Evidence Obtained from the Procedures Performed</i></b></p>	<p>The practitioner shall evaluate whether sufficient appropriate evidence has been obtained from the procedures performed and, if not, the practitioner shall perform other procedures necessary in the circumstances to be able to form a conclusion on the FS.</p> <p>If the practitioner is not able to obtain sufficient appropriate evidence to form a conclusion, the practitioner shall discuss with mgt and TCWG, as appropriate, the effects such limitations have on the scope of the review.</p> <p><b><i>Evaluating the Effect on the Practitioner’s Report</i></b></p> <p>The practitioner shall evaluate the evidence obtained from the procedures performed to determine the effect on the practitioner’s report.</p>
<p><b>Forming the Practitioner’s Conclusion on the FS</b></p>	
<p><b><i>Consideration of the Applicable Financial Reporting Framework in Relation to the FS</i></b></p>	<p>In forming the conclusion on the FS, the practitioner shall:</p> <ul style="list-style-type: none"> <li>• Evaluate whether the FS adequately refer to or describe the applicable FRF;</li> <li>• Consider whether, in the context of the requirements of the applicable FRF and the results of procedures performed: <ul style="list-style-type: none"> <li>○ The terminology used in the FS, including the title of each FS, is appropriate;</li> <li>○ The FS adequately disclose the significant accounting policies selected and applied;</li> <li>○ The accounting policies selected and applied are consistent with the applicable FRF and are appropriate;</li> <li>○ Accounting estimates made by mgt appear reasonable;</li> <li>○ The information presented in the FS appears relevant, reliable, comparable, and understandable; and</li> <li>○ The FS provide adequate disclosures to enable the intended users to understand the effects of material transactions and events on the information conveyed in the FS.</li> </ul> </li> </ul> <p>The practitioner shall consider the impact of:</p> <ul style="list-style-type: none"> <li>• Uncorrected misstatements identified during the review, and in the previous year’s review of the entity’s FS, on the FS as a whole; and</li> <li>• Qualitative aspects of the entity’s accounting practices, including indicators of possible bias in mgt’s judgments.</li> </ul> <p>If the FS are prepared using a fair presentation framework, the practitioner’s consideration shall also include:</p> <ul style="list-style-type: none"> <li>• The overall presentation, structure and content of the FS in</li> </ul>

### Ready Referencer on Engagement and Quality Control Standards

	<p>accordance with the applicable framework; and</p> <ul style="list-style-type: none"> <li>• Whether the FS, including the related notes, appear to represent the underlying transactions and events in a manner that achieves fair presentation or gives a true and fair view, as appropriate, in the context of the FS as a whole.</li> </ul>
<b>Form of the Conclusion</b>	<p>The practitioner's conclusion on the FS, whether unmodified or modified, shall be expressed in the appropriate form in the context of the FRF applied in the FS.</p>
<b>Unmodified Conclusion</b>	<p>The practitioner shall express an unmodified conclusion in the practitioner's report on the FS as a whole when the practitioner has obtained limited assurance to be able to conclude that nothing has come to the practitioner's attention that causes the practitioner to believe that the FS are not prepared, in all material respects, in accordance with the applicable FRF.</p> <p>When the practitioner expresses an unmodified conclusion, the practitioner shall, unless otherwise required by L&amp;R, use one of the following phrases, as appropriate:</p> <ul style="list-style-type: none"> <li>• "Based on our review, nothing has come to our attention that causes us to believe that the FS do not give a true and fair view (or do not present fairly, in all material respects), in accordance with the applicable FRF," (for FS prepared using a fair presentation framework); or</li> <li>• "Based on our review, nothing has come to our attention that causes us to believe that the FS are not prepared, in all material respects, in accordance with the applicable FRF," (for FS prepared using a compliance framework).</li> </ul>
<b>Modified Conclusion</b>	<p>The practitioner shall express a modified conclusion in the practitioner's report on the FS as a whole when:</p> <ul style="list-style-type: none"> <li>• The practitioner determines, based on the procedures performed and the evidence obtained, that the FS are materially misstated; or</li> <li>• The practitioner is unable to obtain sufficient appropriate evidence in relation to one or more items in the FS that are material in relation to the FS as a whole.</li> </ul> <p>When the practitioner modifies the conclusion expressed on the FS, the practitioner shall:</p> <ul style="list-style-type: none"> <li>• Use the heading "Qualified Conclusion," "Adverse Conclusion" or "Disclaimer of Conclusion," as appropriate, for the conclusion paragraph in the practitioner's report; and</li> <li>• Provide a description of the matter giving rise to the modification, under an appropriate heading (for example, "Basis for Qualified Conclusion," "Basis for Adverse Conclusion" or "Basis for Disclaimer of Conclusion," as appropriate), in a separate paragraph in the practitioner's report immediately before the conclusion paragraph (referred to as the basis for conclusion paragraph).</li> </ul>

## Ready Referencer on Engagement and Quality Control Standards

<b>The Practitioner's Report</b>	<p>The practitioner's report for the review engagement shall be in writing, and shall contain the following elements:</p> <ul style="list-style-type: none"><li>• A title, which shall clearly indicate that it is the report of an independent practitioner for a review engagement;</li><li>• The addressee(s), as required by the circumstances of the engagement;</li><li>• An introductory paragraph that:<ul style="list-style-type: none"><li>○ Identifies the FS reviewed, including identification of the title of each of the statements contained in the set of FS and the date and period covered by each FS;</li><li>○ Refers to the summary of significant accounting policies and other explanatory information; and</li><li>○ States that the FS have been reviewed;</li></ul></li><li>• A description of the responsibility of mgt for the preparation of the FS, including an explanation that mgt is responsible for:<ul style="list-style-type: none"><li>○ Their preparation in accordance with the applicable FRF including, where relevant, their fair presentation;</li><li>○ Such internal control as mgt determines is necessary to enable the preparation of FS that are free from MM, whether due to fraud or error;</li></ul></li><li>• If the FS are special purpose FS:<ul style="list-style-type: none"><li>○ A description of the purpose for which the FS are prepared and, if necessary, the intended users, or reference to a note in the special purpose FS that contains that information; and</li><li>○ If mgt has a choice of FRF in the preparation of such FS, a reference within the explanation of mgt's responsibility for the FS to mgt's responsibility for determining that the applicable FRF is acceptable in the circumstances;</li></ul></li><li>• A description of the practitioner's responsibility to express a conclusion on the FS including reference to this SRE and, where relevant, applicable L&amp;R;</li><li>• A description of a review of FS and its limitations, and the following statements:<ul style="list-style-type: none"><li>○ A review engagement under this SRE is a limited assurance engagement;</li><li>○ The practitioner performs procedures, primarily consisting of making inquiries of mgt and others within the entity, as appropriate, and applying AP, and evaluates the evidence obtained; and</li><li>○ The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with SAs,</li></ul></li></ul>
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**Ready Referencer on Engagement and Quality Control Standards**

	<p>and, accordingly, the practitioner does not express an audit opinion on the FS;</p> <ul style="list-style-type: none"> <li>• A paragraph under the heading “Conclusion” that contains: <ul style="list-style-type: none"> <li>○ The practitioner’s conclusion on the FS as a whole; and</li> <li>○ A reference to the applicable FRF used to prepare the FS.</li> </ul> </li> <li>• When the practitioner’s conclusion on the FS is modified: <ul style="list-style-type: none"> <li>○ A paragraph under the appropriate heading that contains the practitioner’s modified conclusion; and</li> <li>○ A paragraph, under an appropriate heading, that provides a description of the matter(s) giving rise to the modification;</li> </ul> </li> <li>• A reference to the practitioner’s obligation under this SRE to comply with relevant ethical requirements;</li> <li>• The date of the practitioner’s report;</li> <li>• The practitioner’s signature; and</li> <li>• The place of signature.</li> </ul>
<b>Documentation</b>	<p>The practitioner shall document the following aspects of the engagement in a timely manner, sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand:</p> <ul style="list-style-type: none"> <li>• The NTE of the procedures performed to comply with this SRE and applicable legal and regulatory requirements;</li> <li>• Results obtained from the procedures, and the practitioner’s conclusions formed on the basis of those results; and</li> <li>• Significant matters arising during the engagement, the practitioner’s conclusions reached thereon, and significant professional judgments made in reaching those conclusions.</li> </ul>

## **SRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity**

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### **Introduction**

The purpose of this SRE is to establish standards and provide guidance on the auditor's professional responsibilities when the auditor undertakes an engagement to review interim financial information (IFI) of an audit client, and on the form and content of the report. The term "auditor" is used throughout this SRE, not because the auditor is performing an audit function but because the scope of this SRE is limited to a review of IFI performed by the independent auditor of the FS of the entity.

For purposes of this SRE, IFI is financial information that is prepared and presented in accordance with an applicable FRF and comprises either a complete or a condensed set of FS for a period that is shorter than the entity's financial year.

The auditor who is engaged to perform a review of IFI should perform the review in accordance with this SRE. A practitioner who is engaged to perform a review of IFI, and who is not the auditor of the entity, performs the review in accordance with SRE 2400 (Revised).

This SRE is directed towards a review of IFI by an entity's auditor. However, it is to be applied, adapted as necessary in the circumstances, when an entity's auditor undertakes an engagement to review historical FI other than IFI of an audit client.

### **General Principles of a Review of Interim Financial Information**

The auditor should comply with the ethical requirements relevant to the audit of the annual FS of the entity.

The auditor should implement quality control procedures that are applicable to the individual engagement.

The auditor should plan and perform the review with an attitude of professional skepticism, recognizing that circumstances may exist that cause the IFI to require a material adjustment for it to be prepared, in all material respects, in accordance with the applicable FRF.

### **Objective of an Engagement to Review Interim Financial Information**

The objective of an engagement to review IFI is to enable the auditor to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that the IFI is not prepared, in all material respects, in accordance with an applicable FRF. The auditor makes inquiries, and performs analytical and other review procedures in order to reduce to a moderate level the risk of expressing an inappropriate conclusion when the IFI is materially misstated.

### **Agreeing the Terms of the Engagement**

The auditor and the client should agree on the terms of the engagement.

The agreed terms of the engagement are ordinarily recorded in an engagement letter and ordinarily covers the following matters:

- The objective of a review of IFI.

- The scope of the review.
- Mgt's responsibility for the IFI.
- Mgt's responsibility for establishing and maintaining effective internal control relevant to the preparation of IFI.
- Mgt's responsibility for making all financial records and related information available to the auditor.
- Mgt's agreement to provide written representations to the auditor to confirm representations made orally during the review, as well as representations that are implicit in the entity's records.
- The anticipated form and content of the report to be issued, including the identity of the addressee of the report.
- Mgt's agreement that where any document containing IFI indicates that the IFI has been reviewed by the entity's auditor, the review report will also be included in the document.

### **Procedures for a Review of Interim Financial Information**

#### ***Understanding the Entity and its Environment, Including its Internal Control***

The auditor should have an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both annual and interim FI, sufficient to plan and conduct the engagement so as to be able to:

- Identify the types of potential MM and consider the likelihood of their occurrence; and
- Select the inquiries, analytical and other review procedures that will provide the auditor with a basis for reporting whether anything has come to the auditor's attention that causes the auditor to believe that the IFI is not prepared, in all material respects, in accordance with the applicable FRF.

The auditor determines the nature of the review procedures, if any, to be performed for components and, where applicable, communicates these matters to other auditors involved in the review. Factors to be considered include the materiality of, and risk of misstatement in, the IFI of components, and the auditor's understanding of the extent to which internal control over the preparation of such information is centralized or decentralized.

In order to plan and conduct a review of IFI, a recently appointed auditor, who has not yet performed an audit of the annual FS in accordance with SAs, should obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both annual and interim FI.

#### **Inquiries, Analytical and Other Review Procedures**

The auditor should make inquiries, primarily of persons responsible for financial and accounting matters, and perform analytical and other review procedures to enable the auditor to conclude whether, on the basis of the procedures performed, anything has come to the auditor's attention that causes the auditor to believe that the IFI is not prepared, in all material respects, in accordance with the applicable FRF.

The auditor should obtain evidence that the IFI agrees or reconciles with the underlying accounting records. The auditor may obtain evidence that the IFI agrees or reconciles with the underlying accounting records by tracing the IFI to:

## **Ready Referencer on Engagement and Quality Control Standards**

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- The accounting records, such as the general ledger, or a consolidating schedule that agrees or reconciles with the accounting records; and
- Other supporting data in the entity's records as necessary.

The auditor should inquire whether mgt has identified all events up to the date of the review report that may require adjustment to or disclosure in the IFI. It is not necessary for the auditor to perform other procedures to identify events occurring after the date of the review report.

The auditor should inquire whether mgt has changed its assessment of the entity's ability to continue as a going concern. When, as a result of this inquiry or other review procedures, the auditor becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor should:

- Inquire of mgt as to its plans for future actions based on its going concern assessment, the feasibility of these plans, and whether mgt believes that the outcome of these plans will improve the situation; and
- Consider the adequacy of the disclosure about such matters in the IFI.

When a matter comes to the auditor's attention that leads the auditor to question whether a material adjustment should be made for the IFI to be prepared, in all material respects, in accordance with the applicable FRF, the auditor should make additional inquiries or perform other procedures to enable the auditor to express a conclusion in the review report.

### **Evaluation of Misstatements**

The auditor should evaluate, individually and in the aggregate, whether uncorrected misstatements that have come to the auditor's attention are material to the IFI.

### **Management Representations**

The auditor should obtain WR from mgt that:

- It acknowledges its responsibility for the design and implementation of internal control to prevent and detect fraud and error;
- The IFI is prepared and presented in accordance with the applicable FRF;
- It believes the effect of those uncorrected misstatements aggregated by the auditor during the review are immaterial, both individually and in the aggregate, to the IFI taken as a whole. A summary of such items is included in or attached to the WR;
- It has disclosed to the auditor all significant facts relating to any frauds or suspected frauds known to mgt that may have affected the entity;
- It has disclosed to the auditor the results of its assessment of the risks that the IFI may be materially misstated as a result of fraud;
- It has disclosed to the auditor all known actual or possible noncompliance with L&R whose effects are to be considered when preparing the IFI; and
- It has disclosed to the auditor all significant events that have occurred subsequent to the balance sheet date and through to the date of the review report that may require adjustment to or disclosure in the IFI.



### **Auditor's Responsibility for Accompanying Information**

The auditor should read the other information that accompanies the IFI to consider whether any such information is materially inconsistent with the IFI. If a matter comes to the auditor's attention that causes the auditor to believe that the other information appears to include a MM of fact, the auditor should discuss the matter with the entity's mgt.

### **Communication**

When, as a result of performing the review of IFI, a matter comes to the auditor's attention that causes the auditor to believe that it is necessary to make a material adjustment to the IFI for it to be prepared, in all material respects, in accordance with the applicable FRF, the auditor should communicate this matter as soon as practicable to the appropriate level of mgt.

When, in the auditor's judgment, mgt does not respond appropriately within a reasonable period of time, the auditor should inform TCWG. The communication is made as soon as practicable, either orally or in writing. The auditor's decision whether to communicate orally or in writing is affected by factors such as the nature, sensitivity and significance of the matter to be communicated and the timing of such communications. If the information is communicated orally, the auditor documents the communication.

When, in the auditor's judgment, TCWG do not respond appropriately within a reasonable period of time, the auditor should consider:

- Whether to modify the report; or
- The possibility of withdrawing from the engagement; and
- The possibility of resigning from the appointment to audit the annual FS.

When, as a result of performing the review of IFI, a matter comes to the auditor's attention that causes the auditor to believe in the existence of fraud or noncompliance by the entity with L&R the auditor should communicate the matter as soon as practicable to the appropriate level of mgt. The determination of which level of mgt is the appropriate one is affected by the likelihood of collusion or the involvement of a member of mgt. The auditor also considers the need to report such matters to TCWG and considers the implication for the review.

The auditor should communicate relevant matters of governance interest arising from the review of IFI to TCWG.

### **Reporting the Nature, Extent and Results of the Review of Interim Financial Information**

The auditor should issue a written report that contains the following:

- An appropriate title.
- An addressee, as required by the circumstances of the engagement.
- Identification of the IFI reviewed, including identification of the title of each of the statements contained in the complete or condensed set of FS and the date and period covered by the IFI.
- If the IFI comprises a complete set of general purpose FS prepared in accordance with a FRF designed to achieve fair presentation, a statement that mgt is responsible for the preparation and fair presentation of the IFI in accordance with the applicable FRF.

## **Ready Referencer on Engagement and Quality Control Standards**

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- In other circumstances, a statement that mgt is responsible for the preparation and presentation of the IFI in accordance with the applicable FRF.
- A statement that the auditor is responsible for expressing a conclusion on the IFI based on the review.
- A statement that the review of the IFI was conducted in accordance with SRE 2410 and a statement that that such a review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.
- A statement that a review is substantially less in scope than an audit conducted in accordance with SAs and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit and that accordingly no audit opinion is expressed.
- If the IFI comprises a complete set of general purpose FS prepared in accordance with a FRF designed to achieve fair presentation, a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the IFI does not give a true and fair view, or does not present fairly, in all material respects, in accordance with the applicable FRF (including a reference to the relevant jurisdiction of the FRF when the FRF used is not Financial Reporting Standards applicable in India).
- In other circumstances, a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the IFI is not prepared, in all material respects, in accordance with the applicable FRF (including a reference to the relevant jurisdiction of the FRF when the FRF used is not Financial Reporting Standards applicable in India).
- The date of the report.
- Place of Signature.
- The auditor's signature and membership number assigned by the ICAI.
- The Firm's registration number of the member of the Institute, wherever applicable, as allotted by ICAI.

## **Departure from the Applicable Financial Reporting Framework**

The auditor should express a qualified or adverse conclusion when a matter has come to the auditor's attention that causes the auditor to believe that a material adjustment should be made to the IFI for it to be prepared, in all material respects, in accordance with the applicable FRF.

If matters have come to the auditor's attention that cause the auditor to believe that the IFI is or may be materially affected by a departure from the applicable FRF, and mgt does not correct the IFI, the auditor modifies the review report. The modification describes the nature of the departure and, if practicable, states the effects on the IFI. If the information that the auditor believes is necessary for adequate disclosure is not included in the IFI, the auditor modifies the review report and, if practicable, includes the necessary information in the review report. The modification to the review report is ordinarily accomplished by adding an explanatory paragraph to the review report, and qualifying the conclusion.

When the effect of the departure is so material and pervasive to the IFI that the auditor concludes a qualified conclusion is not adequate to disclose the misleading or incomplete nature of the IFI, the auditor expresses an adverse conclusion.

### **Limitation on Scope**

When the auditor is unable to complete the review, the auditor should communicate, in writing, to the appropriate level of mgt and to TCWG the reason why the review cannot be completed, and consider whether it is appropriate to issue a report.

### **Going Concern and Significant Uncertainties**

If adequate disclosure is made in the IFI, the auditor should add an EOM paragraph to the review report to highlight a material uncertainty relating to an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.

If a material uncertainty that casts significant doubt about the entity's ability to continue as a going concern is not adequately disclosed in the IFI, the auditor should express a qualified or adverse conclusion, as appropriate. The report should include specific reference to the fact that there is such a material uncertainty.

The auditor should consider modifying the review report by adding a paragraph to highlight a significant uncertainty (other than a going concern problem) that came to the auditor's attention, the resolution of which is dependent upon future events and which may affect the IFI.

### **Other Considerations**

The terms of the engagement include mgt's agreement that where any document containing IFI indicates that such information has been reviewed by the entity's auditor, the review report will also be included in the document. If mgt has not included the review report in the document, the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances.

If the auditor has issued a modified review report and mgt issues the IFI without including the modified review report in the document containing the IFI, the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances, and the possibility of resigning from the appointment to audit the annual FS.

### **Documentation**

The auditor should prepare review documentation that is sufficient and appropriate to provide a basis for the auditor's conclusion and to provide evidence that the review was performed in accordance with this SRE and applicable legal and regulatory requirements.

## SAE 3400 - The Examination of Prospective Financial Information

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### Introduction

The purpose of this SAE is to establish standards and provide guidance on engagements to examine and report on prospective financial information (PFI) including examination procedures for best-estimate and hypothetical assumptions. This SAE does not apply to the examination of PFI expressed in general or narrative terms, such as that found in mgt's discussion and analysis in an entity's annual report, though many of the procedures outlined herein may be suitable for such an examination. Further, the principles laid down in the other SAs, issued by the ICAI, should be used by the auditor, to the extent practicable, in applying this SAE.

In an engagement to examine PFI, the auditor should obtain sufficient appropriate evidence as to whether:

- Mgt's best-estimate assumptions on which the PFI is based are not unreasonable and, in the case of hypothetical assumptions, such assumptions are consistent with the purpose of the information;
- the PFI is properly prepared on the basis of the assumptions;
- the PFI is properly presented and all material assumptions are adequately disclosed, including a clear indication as to whether they are best-estimate assumptions or hypothetical assumptions; and
- the PFI is prepared on a consistent basis with historical FS, using appropriate accounting principles.

### Key Definitions

**"Prospective Financial Information"** means FI based on assumptions about events that may occur in the future and possible actions by an entity. It is highly subjective in nature and its preparation requires the exercise of considerable judgment. PFI can be in the form of a forecast, a projection, or a combination of both, for example, a one year forecast plus a five year projection.

A **"forecast"** means PFI prepared on the basis of assumptions as to future events which mgt expects to take place and the actions mgt expects to take as of the date the information is prepared (best-estimate assumptions).

A **"projection"** means PFI prepared on the basis of:

- hypothetical assumptions about future events and mgt actions which are not necessarily expected to take place, such as when some entities are in a start-up phase or are considering a major change in the nature of operations; or
- a mixture of best-estimate and hypothetical assumptions.

PFI can include FS or one or more elements of FS and may be prepared as an internal management tool or for distribution/submission to third parties.

Mgt is responsible for the preparation and presentation of the PFI, including the identification and disclosure of the sources of information, the basis of forecasts and the underlying

assumptions. The auditor may be asked to examine and report on the PFI to enhance its credibility, whether it is intended for use by third parties or for internal purposes.

### **The Auditor's Assurance Regarding Prospective Financial Information**

PFI relates to events and actions that have not yet occurred and might not occur. While evidence may be available to support the assumptions on which the PFI is based, such evidence is itself generally future-oriented and, therefore, speculative in nature, as distinct from the evidence ordinarily available in the examination of historical FI. The auditor is, therefore, not in a position to express an opinion as to whether the results shown in the PFI will be achieved.

Further, given the types of evidence available in assessing the assumptions on which the PFI is based, it may be difficult for the auditor to obtain a level of satisfaction sufficient to provide a positive expression of opinion that the assumptions are free of MM. Consequently, in this SAE, when reporting on the reasonableness of mgt's assumptions, the auditor provides only a moderate level of assurance.

### **Acceptance of Engagement**

Before accepting an engagement to examine PFI, the auditor would consider, amongst other things:

- the intended use of the information;
- whether the information will be for general or limited distribution;
- the nature of the assumptions, that is, whether they are best-estimates or hypothetical assumptions;
- the elements to be included in the information; and
- the period covered by the information.

The auditor should not accept, or should withdraw from, an engagement when the assumptions are clearly unrealistic or when the auditor believes that the PFI will be inappropriate for its intended use.

In accordance with SA 210, it is necessary that the auditor and the client should agree on the terms of the engagement.

### **Knowledge of the Business**

The auditor should obtain a sufficient level of knowledge of the business to be able to evaluate whether all significant assumptions required for the preparation of the PFI have been identified. The auditor would also need to become familiar with the entity's process for preparing PFI.

The auditor should consider the extent to which reliance on the entity's historical FI is justified.

If the audit or review report on prior period historical FI was other than a clean report or if the entity is in a start-up/expansion phase, the auditor would consider the relevant facts and the effect on the examination of the PFI.

### **Period Covered**

The auditor should consider the period of time covered by the PFI. Since assumptions become more speculative as the length of the period covered increases, as that period lengthens, the ability of mgt to make best-estimate assumptions decreases. The period would not extend beyond the time for which mgt has a reasonable basis for the assumptions.

## **Examination Procedures**

When determining the NTE of examination procedures, the auditor should consider matters such as:

- the knowledge obtained during any previous engagements;
- mgt's competence regarding the preparation of PFI;
- the likelihood of MM;
- the extent to which the PFI is affected by the mgt's judgment;
- the sources of information considered by the mgt for the purpose, their adequacy, reliability of the underlying data, including data derived from third parties, such as industry statistics, to support the assumptions;
- the stability of entity's business; and
- the engagement team's experience with the business and the industry in which the entity operates and with reporting on PFI.

The auditor would assess the source and reliability of the evidence supporting mgt's best-estimate assumptions. Sufficient appropriate evidence supporting such assumptions would be obtained from internal and external sources including consideration of the assumptions in the light of historical information and an evaluation of whether they are based on plans that are within the entity's capacity.

The auditor would consider whether, when hypothetical assumptions are used, all significant implications of such assumptions have been taken into consideration.

The auditor would need to be satisfied that the hypothetical assumptions are consistent with the purpose of the PFI and that there is no reason to believe they are clearly unrealistic.

The auditor will need to be satisfied that the PFI is properly prepared from mgt's assumptions.

The auditor should obtain WR from mgt regarding the intended use of the PFI, the completeness of significant mgt assumptions and mgt's acceptance of its responsibility for the PFI. The mgt is also responsible for identification and disclosure of uncontrollable factors, outstanding litigations, commitments, or any other material factors likely to affect the PFI.

## **Presentation and Disclosure**

When assessing the presentation and disclosure of the PFI and the underlying assumptions, in addition to the specific requirements of any relevant statutes, regulations as well as the relevant professional pronouncements, the auditor will need to consider whether:

- the presentation of PFI is informative and not misleading;
- the accounting policies are clearly disclosed in the notes to the PFI;
- the assumptions are adequately disclosed in the notes to the PFI. It needs to be clear whether assumptions represent mgt's best-estimates or are hypothetical and, when assumptions are made in areas that are material and are subject to a high degree of uncertainty, this uncertainty and the resulting sensitivity of results needs to be adequately disclosed;

## **Ready Referencer on Engagement and Quality Control Standards**

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- the date as of which the PFI was prepared is disclosed. Mgt needs to confirm that the assumptions are appropriate as of this date, even though the underlying information may have been accumulated over a period of time;
- the basis of establishing points in a range is clearly indicated and the range is not selected in a biased or misleading manner when results shown in the PFI are expressed in terms of a range; and
- there is any change in the accounting policy of the entity from that disclosed in the most recent historical FS and whether reason for the change and the effect of such change on the PFI has been adequately disclosed.

### **Documentation**

The auditor should document matters, which are important in providing evidence to support his report on examination of PFI, and evidence that such examination was carried out in accordance with this SAE. The working papers will include the sources of information, basis of forecasts and the assumptions made in arriving the forecasts, hypothetical assumptions, evidence supporting the assumptions, mgt representations regarding the intended use and distribution of the information, completeness of material assumptions, mgt's acceptance of its responsibility for the information, audit plan, the NTE of examination procedures performed, and, in case the auditor expresses a modified opinion or withdraws from the engagement, the reasons forming the basis of such decision.

### **Report on Examination of Prospective Financial Information**

The report by an auditor on an examination of PFI should contain the following:

- Title;
- Addressee;
- Identification of the PFI;
- Reference to the SAs applicable to the examination of PFI;
- Statement that mgt is responsible for the PFI including the underlying assumptions;
- When applicable, a reference to the purpose and/or restricted distribution of the PFI;
- Statement that the examination procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the forecast or projection;
- Statement of negative assurance as to whether the assumptions provide a reasonable basis for the PFI;
- Opinion as to whether the PFI is properly prepared on the basis of the assumptions and is presented in accordance with the relevant FRF;
- Appropriate caveats concerning the achievability of the results indicated by the PFI;
- Date of report (which should be the date procedures have been completed);
- Place of signature; and
- Signature.

Such a report would:

## Ready Referencer on Engagement and Quality Control Standards

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- State whether, based on the examination of the evidence supporting the assumptions, anything has come to the auditor's attention, which causes the auditor to believe that the assumptions do not provide a reasonable basis for the PFI.
- Express an opinion as to whether the PFI is properly prepared on the basis of the assumptions and is presented in accordance with the relevant FRF.
- State that:
  - Actual results are likely to be different from the PFI since anticipated events frequently do not occur as expected and the variation could be material. Likewise, when the PFI is expressed as a range, it would be stated that there can be no assurance that actual results will fall within the range; and
  - In the case of a projection, the PFI has been prepared for (intended use), using a set of assumptions that include hypothetical assumptions about future events and mgt's actions that are not necessarily expected to occur. Consequently, readers are cautioned that the PFI should not be used for purposes other than the abovementioned intended use.

When the auditor believes that the presentation and disclosure of the PFI is not adequate, the auditor should express a qualified or adverse opinion in the report on the PFI, or withdraw from the engagement as appropriate.

When the auditor believes that one or more significant assumptions do not provide a reasonable basis for the PFI prepared on the basis of best-estimate assumptions or that one or more significant assumptions do not provide a reasonable basis for the PFI given the hypothetical assumptions, the auditor should either express an adverse opinion setting out the reasons in the report on the PFI, or withdraw from the engagement.

When the examination is affected by conditions that preclude application of one or more procedures considered necessary in the circumstances, the auditor should either withdraw from the engagement or disclaim the opinion and describe the scope limitation in the report on the PFI.



## SAE 3402 - Assurance Reports on Controls at a Service Organisation

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### Scope of this SAE

This SAE deals with assurance engagements undertaken by a professional accountant in public practice to provide a report for use by user entities(UE) and their auditors on the controls at a service organisation (SO) that provides a service to UE that is likely to be relevant to UE internal control as it relates to financial reporting. It complements SA 402, in that reports prepared in accordance with this SAE are capable of providing appropriate evidence under SA 402.

This SAE only deals with assertion-based engagements that convey reasonable assurance, with the assurance conclusion worded directly in terms of the subject matter and the criteria.

This SAE applies only when the SO is responsible for, or otherwise able to make an assertion about, the suitable design of controls. This SAE does not deal with assurance engagements:

- To report only on whether controls at a SO operated as described, or
- To report only on controls at a SO other than those related to a service that is likely to be relevant to UE' internal control as it relates to financial reporting (for example, controls that affect UE production or quality control).

### Objectives

The objectives of the service auditor are:

- To obtain reasonable assurance about whether, in all material respects, based on suitable criteria:
  - The SO's description of its system fairly presents the system as designed and implemented throughout the specified period (or in the case of a type 1 report, as at a specified date);
  - The controls related to the control objectives stated in the SO's description of its system were suitably designed throughout the specified period (or in the case of a type 1 report, as at a specified date);
  - Where included in the scope of the engagement, the controls operated effectively to provide reasonable assurance that the control objectives stated in the SO description of its system were achieved throughout the specified period.
- To report on the matters above in accordance with the service auditor's findings.

### Key Definitions

- **Control objective** – The aim or purpose of a particular aspect of controls. Control objectives relate to risks that controls seek to mitigate.
- **Controls at the SO** – Controls over the achievement of a control objective that is covered by the service auditor's assurance report.
- **Controls at a Subservice Organisation** – Controls at a Subservice Organisation to provide reasonable assurance about the achievement of a control objective.
- **Criteria** – Benchmarks used to evaluate or measure a subject matter including, where relevant, benchmarks for presentation and disclosure.

## Ready Referencer on Engagement and Quality Control Standards

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- **Report on the description and design of controls at a service organization (referred to in this SAE as a “type 1 report”)** – A report that comprises:
  - The SO’s description of its system;
  - A written assertion by the SO that, in all material respects, and based on suitable criteria:
    - The description fairly presents the SO’s system as designed and implemented as at the specified date;
    - The controls related to the control objectives stated in the SO’s description of its system were suitably designed as at the specified date; and
  - A service auditor’s assurance report that conveys reasonable assurance about the above matters.
- **Report on the description, design and operating effectiveness of controls at a service organization (referred to in this SAE as a “type 2 report”)** – A report that comprises:
  - The SO’s description of its system;
  - A written assertion by the SO that, in all material respects, and based on suitable criteria:
    - The description fairly presents the SO’s system as designed and implemented throughout the specified period;
    - The controls related to the control objectives stated in the SO’s description of its system were suitably designed throughout the specified period; and
    - The controls related to the control objectives stated in the SO’s description of its system operated effectively throughout the specified period; and
  - A service auditor’s assurance report that:
    - Conveys reasonable assurance about the above matters; and
    - Includes a description of the tests of controls and the results thereof.
- **Service auditor** – A professional accountant in public practice who, at the request of the SO, provides an assurance report on controls at a SO.
- **Service organization** – A third-party organization (or segment of a third-party organization) that provides services to UE that are likely to be relevant to UE internal control as it relates to financial reporting.
- **Service organization’s system (or the system)** – The policies and procedures designed and implemented by the SO to provide UE with the services covered by the service auditor’s assurance report. The SO’s description of its system includes identification of: the services covered; the period, or in the case of a type 1 report, the date, to which the description relates; control objectives; and related controls.
- **Service organization’s assertion** – The written assertion about the matters referred to in the definitions of Type 1 report & Type 2 report.
- **Subservice organization (SSO)** – A SO used by another SO to perform some of the services provided to user entities that are likely to be relevant to UE internal control as it relates to financial reporting.
- **User auditor** – An auditor who audits and reports on the FS of a UE.
- **User entity** – An entity that uses a SO.

## **Requirements of the Standard**

<b>Requirements</b>	<b>Description</b>
<b>Framework for Assurance Engagements</b>	The service auditor shall not represent compliance with this SAE unless the service auditor has complied with the requirements of this SAE and the requirements of the Framework for Assurance Engagements (The Framework).
<b>Ethical Requirements</b>	The service auditor shall comply with relevant ethical requirements, including those pertaining to independence, relating to assurance engagements.
<b>Management and Those Charged with Governance</b>	Where this SAE requires the service auditor to inquire of, request representations from, communicate with, or otherwise interact with the SO, the service auditor shall determine the appropriate person(s) within the SO's mgt or governance structure with whom to interact. This shall include consideration of which person(s) have the appropriate responsibilities for and knowledge of the matters concerned.
<b>Acceptance and Continuance</b>	
	<p>Before agreeing to accept, or continue, an engagement the service auditor shall:</p> <ul style="list-style-type: none"> <li>• Determine whether: <ul style="list-style-type: none"> <li>○ The service auditor has the capabilities and competence to perform the engagement;</li> <li>○ The criteria to be applied by the SO to prepare the description of its system will be suitable and available to UE and their auditors; and</li> <li>○ The scope of the engagement and the SO's description of its system will not be so limited that they are unlikely to be useful to UE and their auditors.</li> </ul> </li> <li>• Obtain the agreement of the SO that it acknowledges and understands its responsibility: <ul style="list-style-type: none"> <li>○ For the preparation of the description of its system, and accompanying SO's assertion, including the completeness, accuracy and method of presentation of that description and assertion;</li> <li>○ To have a reasonable basis for the SO's assertion accompanying the description of its system;</li> <li>○ For stating in the SO's assertion the criteria it used to prepare the description of its system;</li> <li>○ For stating in the description of its system: <ul style="list-style-type: none"> <li>▪ The control objectives; and</li> <li>▪ Where they are specified by L&amp;R, or another party (for example, a user group or a professional body), the party who specified them;</li> </ul> </li> <li>○ For identifying the risks that threaten achievement of the control</li> </ul> </li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>objectives stated in the description of its system, and designing and implementing controls to provide reasonable assurance that those risks will not prevent achievement of the control objectives stated in the description of its system, and therefore that the stated control objectives will be achieved; and</p> <ul style="list-style-type: none"> <li>○ To provide the service auditor with: <ul style="list-style-type: none"> <li>▪ Access to all information, such as records, documentation and other matters, including service level agreements, of which the SO is aware that is relevant to the description of the SO's system and the accompanying SO's assertion;</li> <li>▪ Additional information that the service auditor may request from the SO for the purpose of the assurance engagement; and</li> <li>▪ Unrestricted access to persons within the SO from whom the service auditor determines it necessary to obtain evidence.</li> </ul> </li> </ul>
<p><b>Acceptance of a Change in the Terms of the Engagement</b></p>	<p>If the SO requests a change in the scope of the engagement before the completion of the engagement, the service auditor shall be satisfied that there is a reasonable justification for the change.</p>
<p><b>Assessing the Suitability of the Criteria</b></p>	<p>As required by the Framework, the service auditor shall assess whether the SO has used suitable criteria in preparing the description of its system, in evaluating whether controls are suitably designed, and, in the case of a type 2 report, in evaluating whether controls are operating effectively.</p> <p>In assessing the suitability of the criteria to evaluate the SO's description of its system, the service auditor shall determine if the criteria encompass, at a minimum:</p> <ul style="list-style-type: none"> <li>• Whether the description presents how the SO's system was designed and implemented.</li> <li>• In the case of a type 2 report, whether the description includes relevant details of changes to the SO's system during the period covered by the description.</li> <li>• Whether the description omits or distorts information relevant to the scope of the SO's system being described, while acknowledging that the description is prepared to meet the common needs of a broad range of UE and their auditors and may not, therefore, include every aspect of the SO's system that each individual UE and its auditor may consider important in its particular environment.</li> </ul> <p>In assessing the suitability of the criteria to evaluate the design of controls, the service auditor shall determine if the criteria encompass, at a minimum, whether:</p> <ul style="list-style-type: none"> <li>• The SO has identified the risks that threaten achievement of the control objectives stated in the description of its system; and</li> <li>• The controls identified in that description would, if operated as described, provide reasonable assurance that those risks do not</li> </ul>

### Ready Referencer on Engagement and Quality Control Standards

	<p>prevent the stated control objectives from being achieved.</p> <p>In assessing the suitability of the criteria to evaluate the operating effectiveness of controls in providing reasonable assurance that the stated control objectives identified in the description will be achieved, the service auditor shall determine if the criteria encompass, at a minimum, whether the controls were consistently applied as designed throughout the specified period. This includes whether manual controls were applied by individuals who have the appropriate competence and authority.</p>
<b>Materiality</b>	When planning and performing the engagement, the service auditor shall consider materiality w.r.t. the fair presentation of the description, the suitability of the design of controls and, in the case of a type 2 report, the operating effectiveness of controls.
<b>Obtaining an Understanding of the SO's System</b>	The service auditor shall obtain an understanding of the SO's system, including controls that are included in the scope of the engagement.
<b>Obtaining Evidence Regarding the Description</b>	<p>The service auditor shall obtain and read the SO's description of its system, and shall evaluate whether those aspects of the description included in the scope of the engagement are fairly presented.</p> <p>The service auditor shall determine, through inquiries and other procedures, whether the SO's system has been implemented. Those other procedures shall include observation, and inspection of records and other documentation, of the manner in which the SO's system operates and controls are applied.</p>
<b>Obtaining Evidence Regarding Design of Controls</b>	The service auditor shall determine which of the controls at the SO are necessary to achieve the control objectives stated in the SO's description of its system, and shall assess whether those controls were suitably designed.
<b>Obtaining Evidence Regarding Operating Effectiveness of Controls</b>	<p>When providing a type 2 report, the service auditor shall test those controls determined as necessary to achieve the control objectives stated in the SO's description of its system, and assess their operating effectiveness throughout the period. Evidence obtained in prior engagements about the satisfactory operation of controls in prior periods does not provide a basis for a reduction in testing, even if it is supplemented with evidence obtained during the current period.</p> <p>When designing and performing tests of controls, the service auditor shall:</p> <ul style="list-style-type: none"> <li>• Perform other procedures in combination with inquiry to obtain evidence about: <ul style="list-style-type: none"> <li>○ How the control was applied;</li> <li>○ The consistency with which the control was applied; and</li> <li>○ By whom or by what means the control was applied;</li> </ul> </li> <li>• Determine whether controls to be tested depend upon other controls (indirect controls) and, if so, whether it is necessary to obtain evidence supporting the operating effectiveness of those indirect</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>controls;</p> <ul style="list-style-type: none"> <li>• Determine means of selecting items for testing that are effective in meeting the objectives of the procedure.</li> </ul> <p>When determining the extent of tests of controls, the service auditor shall consider matters including the characteristics of the population to be tested, which includes the nature of controls, the frequency of their application (for example, monthly, daily, a number of times per day), and the expected rate of deviation.</p>
<p><b>Written Representations</b></p>	<p>The service auditor shall request the SO to provide written representations:</p> <ul style="list-style-type: none"> <li>• That reaffirm the assertion accompanying the description of the system;</li> <li>• That it has provided the service auditor with all relevant information and access agreed to; and</li> <li>• That it has disclosed to the service auditor any of the following of which it is aware: <ul style="list-style-type: none"> <li>○ Non-compliance with L&amp;R, fraud, or uncorrected deviations attributable to the SO that may affect one or more UE;</li> <li>○ Design deficiencies in controls;</li> <li>○ Instances where controls have not operated as described; and</li> <li>○ Any events subsequent to the period covered by the SO's description of its system up to the date of the service auditor's assurance report that could have a significant effect on the service auditor's assurance report.</li> </ul> </li> </ul>
<p><b>Subsequent Events</b></p>	<p>The service auditor shall inquire whether the SO is aware of any events subsequent to the period covered by the SO's description of its system up to the date of the service auditor's assurance report that could have a significant effect on the service auditor's assurance report. If the service auditor is aware of such an event, and information about that event is not disclosed by the SO, the service auditor shall disclose it in the service auditor's assurance report.</p> <p>The service auditor has no obligation to perform any procedures regarding the description of the SO's system, or the suitability of design or operating effectiveness of controls, after the date of the service auditor's assurance report.</p>
<p><b>Documentation</b></p>	<p>The service auditor shall prepare documentation that is sufficient to enable an experienced service auditor, having no previous connection with the engagement, to understand:</p> <ul style="list-style-type: none"> <li>• The nature, timing, and extent of the procedures performed to comply with this SAE and applicable legal and regulatory requirements;</li> <li>• The results of the procedures performed, and the evidence obtained; and</li> <li>• Significant matters arising during the engagement, and the</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	conclusions reached thereon and significant professional judgments made in reaching those conclusions.
<b>Preparing the Service Auditor's Assurance Report</b>	
<b><i>Content of the Service Auditor's Assurance Report</i></b>	<p>The service auditor's assurance report shall include the following basic elements:</p> <ul style="list-style-type: none"> <li>• A title that clearly indicates the report is an independent service auditor's assurance report.</li> <li>• An addressee.</li> <li>• Identification of:             <ul style="list-style-type: none"> <li>○ The SO's description of its system, and the SO's assertion, which includes the matters described in the definitions of type 1 report and type 2 report.</li> <li>○ Those parts of the SO's description of its system, if any, that are not covered by the service auditor's opinion.</li> <li>○ If the description refers to the need for complementary user entity controls, a statement that the service auditor has not evaluated the suitability of design or operating effectiveness of complementary user entity controls, and that the control objectives stated in the SO's description of its system can be achieved only if complementary user entity controls are suitably designed or operating effectively, along with the controls at the SO.</li> <li>○ If services are performed by a SSO, the nature of activities performed by the SSO as described in the SO's description of its system and whether the inclusive method or the carve-out method has been used in relation to them. Where the carve-out method has been used, a statement that the SO's description of its system excludes the control objectives and related controls at relevant SSOs, and that the service auditor's procedures do not extend to controls at the SSO. Where the inclusive method has been used, a statement that the SO's description of its system includes control objectives and related controls at the SSO, and that the service auditor's procedures extended to controls at the SSO.</li> </ul> </li> <li>• Identification of the criteria, and the party specifying the control objectives.</li> <li>• A statement that the report and, in the case of a type 2 report, the description of tests of controls are intended only for UE and their auditors, who have a sufficient understanding to consider it, along with other information including information about controls operated by UE themselves, when assessing the ROMM of user entities' FS.</li> <li>• A statement that the SO is responsible for:             <ul style="list-style-type: none"> <li>○ Preparing the description of its system, and the accompanying assertion, including the completeness, accuracy and method of</li> </ul> </li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>presentation of that description and that assertion;</p> <ul style="list-style-type: none"> <li>○ Providing the services covered by the SO's description of its system;</li> <li>○ Stating the control objectives (where not identified by L&amp;R, or another party, for example, a user group or a professional body); and</li> <li>○ Designing and implementing controls to achieve the control objectives stated in the SO's description of its system.</li> </ul> <ul style="list-style-type: none"> <li>● A statement that the service auditor's responsibility is to express an opinion on the SO's description, on the design of controls related to the control objectives stated in that description and, in the case of a type 2 report, on the operating effectiveness of those controls, based on the service auditor's procedures.</li> <li>● A statement that the engagement was performed in accordance with SAE 3402, which requires that the service auditor comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether, in all material respects, the SO's description of its system is fairly presented and the controls are suitably designed and, in the case of a type 2 report, are operating effectively.</li> <li>● A summary of the service auditor's procedures to obtain reasonable assurance and a statement of the service auditor's belief that the evidence obtained is sufficient and appropriate to provide a basis for the service auditor's opinion, and, in the case of a type 1 report, a statement that the service auditor has not performed any procedures regarding the operating effectiveness of controls and therefore no opinion is expressed thereon.</li> <li>● A statement of the limitations of controls and, in the case of a type 2 report, of the risk of projecting to future periods any evaluation of the operating effectiveness of controls.</li> <li>● The service auditor's opinion, expressed in the positive form, on whether, in all material respects, based on suitable criteria:             <ul style="list-style-type: none"> <li>○ In the case of a type 2 report:                 <ul style="list-style-type: none"> <li>▪ The description fairly presents the SO's system that had been designed and implemented throughout the specified period;</li> <li>▪ The controls related to the control objectives stated in the SO's description of its system were suitably designed throughout the specified period; and</li> <li>▪ The controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the specified period.</li> </ul> </li> <li>○ In the case of a type 1 report:</li> </ul> </li> </ul>
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**Ready Referencer on Engagement and Quality Control Standards**

	<ul style="list-style-type: none"> <li>▪ The description fairly presents the SO's system that had been designed and implemented as at the specified date; and</li> <li>▪ The controls related to the control objectives stated in the SO's description of its system were suitably designed as at the specified date.</li> </ul> <ul style="list-style-type: none"> <li>• The date of the service auditor's assurance report, which shall be no earlier than the date on which the service auditor has obtained sufficient appropriate evidence on which to base the opinion.</li> <li>• Practitioner's Signature</li> <li>• The place of signature</li> </ul> <p>In the case of a type 2 report, the service auditor's assurance report shall include a separate section after the opinion, or an attachment, that describes the tests of controls that were performed and the results of those tests. In describing the tests of controls, the service auditor shall clearly state which controls were tested, identify whether the items tested represent all or a selection of the items in the population, and indicate the nature of the tests in sufficient detail to enable user auditors to determine the effect of such tests on their risk assessments. If deviations have been identified, the service auditor shall include the extent of testing performed that led to identification of the deviations (including the sample size where sampling has been used), and the number and nature of the deviations noted. The service auditor shall report deviations even if, on the basis of tests performed, the service auditor has concluded that the related control objective was achieved.</p>
<b>Modified Opinions</b>	<p>If the service auditor concludes that:</p> <ul style="list-style-type: none"> <li>• The SO's description does not fairly present, in all material respects, the system as designed and implemented;</li> <li>• The controls related to the control objectives stated in the description were not suitably designed, in all material respects;</li> <li>• In the case of a type 2 report, the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the SO's description of its system were achieved, did not operate effectively, in all material respects; or</li> <li>• The service auditor is unable to obtain sufficient appropriate evidence, the service auditor's opinion shall be modified, and the service auditor's assurance report shall contain a clear description of all the reasons for the modification.</li> </ul>
<b>Other Communication Responsibilities</b>	<p>If the service auditor becomes aware of non-compliance with L&amp;R, fraud, or uncorrected errors attributable to the SO that are not clearly trivial and may affect one or more UE, the service auditor shall determine whether the matter has been communicated appropriately to affected UE. If the matter has not been so communicated and the SO is unwilling to do so, the service auditor shall take appropriate action.</p>

## SAE 3420 - Assurance Engagements to Report on the Compilation of PFI Included in a Prospectus

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### Scope of this SAE

This SAE deals with reasonable assurance engagements undertaken by a practitioner to report on the responsible party's (RP) compilation of pro forma financial information (PFI) included in a prospectus. The SAE applies where:

- Such reporting is required by securities law or regulation of the securities exchange (“relevant L or R”) in the jurisdiction in which the prospectus is to be issued; or
- This reporting is generally accepted practice in such jurisdiction.

### *Nature of the Practitioner's Responsibility*

Under this SAE, the practitioner has no responsibility to compile the PFI for the entity; such responsibility rests with the RP. The practitioner's sole responsibility is to report on whether the PFI has been compiled, in all material respects, by the RP on the basis of the applicable criteria.

### *Purpose of Pro Forma Financial Information Included in a Prospectus*

The purpose of PFI included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information (UFI) of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. This is achieved by applying pro forma adjustments (PFA) to the UFI. PFI does not represent the entity's actual financial position, financial performance, or cash flows.

### *Compilation of Pro Forma Financial Information*

The compilation of PFI involves the RP gathering, classifying, summarizing and presenting FI that illustrates the impact of a significant event or transaction on UFI of the entity as if the event had occurred or the transaction had been undertaken at the selected date. Steps involved in this process include:

- Identifying the source of the UFI to be used in compiling the PFI, and extracting the UFI from that source;
- Making PFA to the UFI for the purpose for which the PFI is presented; and
- Presenting the resulting PFI with accompanying disclosures.

### Objectives

The objectives of the practitioner are:

- To obtain reasonable assurance about whether the PFI has been compiled, in all material respects, by the RP on the basis of the applicable criteria; and
- To report in accordance with the practitioner's findings.

### Key Definitions

- **Applicable criteria** – The criteria used by the RP when compiling the PFI. Criteria may be established by an authorized or recognized standard-setting organization or by L&R. Where established criteria do not exist, they will be developed by the RP.

## Ready Referencer on Engagement and Quality Control Standards

- **Pro forma adjustments** – In relation to UFI, these include:
  - Adjustments to UFI that illustrate the impact of a significant event or transaction (“event” or “transaction”) as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration; and
  - Adjustments to UFI that are necessary for the PFI to be compiled on a basis consistent with the applicable FRF of the reporting entity (“entity”) and its accounting policies under that framework.

PFA include the relevant FI of a business that has been, or is to be, acquired (“acquiree”), or a business that has been, or is to be, divested (“divestee”), to the extent that such information is used in compiling the PFI (“acquiree or divestee FI”).

- **Pro Forma Financial Information** – FI shown together with adjustments to illustrate the impact of an event or transaction on UFI as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. In this SAE, it is presumed that PFI is presented in columnar format consisting of (a) the UFI; (b) the PFA; and (c) the resulting pro forma column.
- **Unadjusted Financial Information** – FI of the entity to which PFA are applied by the RP.

### Requirements of the Standard

Requirements	Description
<b>Framework for Assurance Engagements</b>	The practitioner shall not represent compliance with this SAE unless the practitioner has complied with the requirements of both this SAE and the Framework for Assurance Engagements (The Framework).
<b>Engagement Acceptance</b>	<p>Before agreeing to accept this engagement, the practitioner shall:</p> <ul style="list-style-type: none"> <li>• Determine that the practitioner has capabilities and competence to perform the engagement;</li> <li>• Determine that the applicable criteria are suitable and that it is unlikely that the PFI will be misleading for the purpose for which it is intended;</li> <li>• Evaluate the wording of the opinion prescribed by the relevant L or R, if any, to determine that the practitioner will likely be able to express the opinion so prescribed;</li> <li>• Where the sources from which the UFI and any acquiree or divestee FI have been extracted have been audited or reviewed and a modified audit opinion or review conclusion has been expressed, or the report contains an EOM paragraph, consider whether or not the relevant L or R permits the use of, or reference in the practitioner’s report to, the modified audit opinion/review conclusion or the report containing EOM paragraph w.r.t. such sources;</li> <li>• If the entity’s historical FI has never been audited/reviewed, consider whether the practitioner can obtain a sufficient understanding of the entity and its accounting and financial reporting practices to perform the engagement;</li> <li>• If the event or transaction includes an acquisition and the acquiree’s historical FI has never been audited/reviewed, consider whether the practitioner can obtain a sufficient understanding of the acquiree and its accounting and financial reporting practices to perform the</li> </ul>

## Ready Referencer on Engagement and Quality Control Standards

	<p>engagement; and</p> <ul style="list-style-type: none"> <li>• Obtain the agreement of the RP that it acknowledges and understands its responsibility for: <ul style="list-style-type: none"> <li>○ Adequately disclosing and describing the applicable criteria to the intended users if these are not publicly available;</li> <li>○ Compiling the PFI on the basis of the applicable criteria; and</li> <li>○ Providing the practitioner with: <ul style="list-style-type: none"> <li>▪ Access to all information relevant to evaluating whether the PFI has been compiled, in all material respects, on the basis of the applicable criteria;</li> <li>▪ Additional information that the practitioner may request for the purpose of the engagement;</li> <li>▪ Access to those from whom the practitioner determines it necessary to obtain evidence relating to evaluating whether the PFI has been compiled, in all material respects, on the basis of the applicable criteria; and</li> <li>▪ When needed for purposes of the engagement, access to appropriate individuals within the acquiree(s) in a business combination.</li> </ul> </li> </ul> </li> </ul>
<b>Planning and Performing the Engagement</b>	
<p><b><i>Assessing the Suitability of the Applicable Criteria</i></b></p>	<p>The practitioner shall assess whether the applicable criteria are suitable, as required by the Framework and in particular determine that they include, at a minimum, that:</p> <ul style="list-style-type: none"> <li>• The UFI be extracted from an appropriate source;</li> <li>• The PFA be: <ul style="list-style-type: none"> <li>○ Directly attributable to the event or transaction;</li> <li>○ Factually supportable; and</li> <li>○ Consistent with the entity's applicable FRF and its accounting policies under that framework; and</li> </ul> </li> <li>• Appropriate presentation be made and disclosures be provided to enable the intended users to understand the information conveyed.</li> </ul> <p>The practitioner shall also assess whether the applicable criteria are:</p> <ul style="list-style-type: none"> <li>• Consistent, and do not conflict, with relevant L or R; and</li> <li>• Unlikely to result in PFI that is misleading.</li> </ul>
<p><b><i>Materiality</i></b></p>	<p>When planning and performing the engagement, the practitioner shall consider materiality w.r.t. evaluating whether the PFI has been compiled, in all material respects, on the basis of applicable criteria.</p>
<p><b><i>Obtaining an Understanding of How the Responsible Party Has Compiled the Pro Forma Financial Information</i></b></p>	<p>The practitioner shall obtain an understanding of:</p> <ul style="list-style-type: none"> <li>• The event or transaction in respect of which PFI is being compiled;</li> <li>• How the RP has compiled the PFI;</li> <li>• The nature of the entity and any acquiree or divestee;</li> <li>• Relevant industry, legal and regulatory, and other external factors</li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

<p><b>and Other Engagement Circumstances</b></p>	<p>pertaining to the entity and any acquiree or divestee; and</p> <ul style="list-style-type: none"> <li>• The applicable FRF and the accounting and financial reporting practices of the entity and of any acquiree or divestee, including their selection and application of accounting policies.</li> </ul>
<p><b>Obtaining Evidence about the Appropriateness of the Source from Which the UFI Has Been Extracted</b></p>	<p>The practitioner shall determine whether the RP has extracted the UFI from an appropriate source.</p> <p>If there is no audit/review report on the source from which the UFI extracted, the practitioner shall perform procedures to be satisfied that the source is appropriate.</p> <p>The practitioner shall determine whether the RP has appropriately extracted the UFI from the source.</p>
<p><b>Obtaining Evidence about the Appropriateness of the Pro Forma Adjustments</b></p>	<p>In evaluating whether the PFA are appropriate, the practitioner shall determine whether the RP has identified the necessary PFA.</p> <p>In determining whether the PFA are in accordance with the applicable criteria, the practitioner shall determine whether they are:</p> <ul style="list-style-type: none"> <li>• Directly attributable to the event or transaction;</li> <li>• Factually supportable; and</li> <li>• Consistent with the entity's applicable FRF and its accounting policies under that framework.</li> </ul>
<p><b>Modified Audit Opinion or Review Conclusion, or Emphasis of Matter Paragraph, with Respect to the Source from Which the UFI Has Been Extracted or the Source from Which the Acquiree or Divestee Financial Information Has Been Extracted</b></p>	<p>A modified audit opinion or review conclusion may have been expressed w.r.t. either the source from which the UFI extracted or the source from which the acquiree or divestee FI extracted, or a report containing an EOM paragraph may have been issued w.r.t. such source. In such circumstances, if the relevant L or R does not prohibit the use of such a source, the practitioner shall evaluate:</p> <ul style="list-style-type: none"> <li>• The potential consequence on whether the PFI has been compiled, in all material respects, on the basis of the applicable criteria;</li> <li>• What further appropriate action to take; and</li> <li>• Whether there is any effect on the practitioner's ability to report in accordance with the terms of the engagement, including any effect on the practitioner's report.</li> </ul>
<p><b>Source from Which the UFI Has Been Extracted or Pro Forma Adjustments Not Appropriate</b></p>	<p>If, the practitioner identifies that the RP has:</p> <ul style="list-style-type: none"> <li>• Used an inappropriate source from which to extract the UFI; or</li> <li>• Omitted a PFA that should be included, applied a PFA that is not in accordance with the applicable criteria or otherwise inappropriately applied a PFA,</li> </ul> <p>The practitioner shall discuss the matter with the RP. If unable to agree with the RP as to resolution, the practitioner shall evaluate what further action to take.</p>
<p><b>Obtaining Evidence about the Calculations within the Pro Forma Financial Information</b></p>	<p>The practitioner shall determine whether the calculations within the PFI are arithmetically accurate.</p>

**Ready Referencer on Engagement and Quality Control Standards**

<b><i>Evaluating the Presentation of the Pro Forma Financial Information</i></b>	<p>The practitioner shall evaluate the presentation of the PFI. This shall include consideration of:</p> <ul style="list-style-type: none"> <li>• Overall presentation and structure of the PFI, including whether it is clearly labeled to distinguish it from historical or other FI;</li> <li>• Whether the PFI and related explanatory notes illustrate the impact of the event or transaction in a manner that is not misleading;</li> <li>• Whether appropriate disclosures are provided with the PFI to enable the intended users to understand the information conveyed; and</li> <li>• Whether the practitioner has become aware of any significant events subsequent to the date of the source from which the UFI has been extracted that may require reference to, or disclosure in, the PFI.</li> </ul> <p>The practitioner shall read the other information included in the prospectus containing the PFI to identify material inconsistencies, if any, with the PFI. If, on reading the other information, the practitioner identifies a material inconsistency or becomes aware of a material misstatement of fact in that other information, the practitioner shall discuss the matter with the RP.</p> <p>If correction of the matter is necessary and the RP refuses to do so, the practitioner shall take further appropriate action.</p>
<b>Written Representations</b>	<p>The practitioner shall request written representations from the RP that:</p> <ul style="list-style-type: none"> <li>• In compiling the PFI, the RP has identified all appropriate PFA necessary to illustrate the impact of the event or transaction at the date or for the period of the illustration; and</li> <li>• The PFI has been compiled, in all material respects, on the basis of the applicable criteria.</li> </ul>
<b>Forming the Opinion</b>	<p>The practitioner shall form an opinion on whether the PFI has been compiled, in all material respects, by the RP on the basis of the applicable criteria.</p> <p>To form that opinion, the practitioner shall conclude whether sufficient appropriate evidence obtained about whether the compilation of the PFI is free from material omissions, or inappropriate use or application of a PFA. That conclusion shall include an evaluation of whether the RP has adequately disclosed and described the applicable criteria to the extent that these are not publicly available.</p>
<b>Form of Opinion</b>	
<b><i>Unmodified Opinion</i></b>	<p>The practitioner shall express an unmodified opinion when the practitioner concludes that the PFI has been compiled, in all material respects, by the RP on the basis of the applicable criteria.</p>
<b><i>Modified Opinion</i></b>	<p>Where the relevant L or R precludes publication of a prospectus that contains a modified opinion and the practitioner concludes that a modified opinion is nevertheless appropriate in accordance with the Framework, the practitioner shall discuss the matter with the RP. If the</p>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>RP does not agree to make necessary changes, the practitioner shall:</p> <ul style="list-style-type: none"> <li>• Withdraw from the engagement; or</li> <li>• Consider seeking legal advice.</li> </ul> <p>Where the relevant L or R may not preclude publication of a prospectus that contains a modified opinion and the practitioner determines that a modified opinion is appropriate in accordance with the Framework, the practitioner shall apply the requirements in the Framework regarding modified opinions.</p>
<p><b><i>Emphasis of Matter Paragraph</i></b></p>	<p>In some circumstances, the practitioner may consider it necessary to draw users' attention to a matter presented or disclosed in the PFI or the accompanying explanatory notes. This would be the case when, in the practitioner's opinion, the matter is of such importance that it is fundamental to users' understanding of whether the PFI has been compiled, in all material respects, on the basis of the applicable criteria. In such circumstances, the practitioner shall include an EOM paragraph in the practitioner's report provided that the practitioner has obtained sufficient appropriate evidence that the matter does not affect whether the PFI has been compiled, in all material respects, on the basis of the applicable criteria. Such a paragraph shall refer only to information presented or disclosed in the PFI or the accompanying explanatory notes.</p>
<p><b>Preparing the Assurance Report</b></p>	<p>The practitioner's report shall include the following basic elements:</p> <ul style="list-style-type: none"> <li>• A title that clearly indicates that the report is an independent assurance report;</li> <li>• An addressee(s), as agreed in the terms of engagement;</li> <li>• Introductory paragraphs that identify:             <ul style="list-style-type: none"> <li>○ The PFI;</li> <li>○ The source from which the UFI has been extracted, and whether or not an audit or review report on such a source has been published;</li> <li>○ The period covered by, or the date of, the PFI; and</li> <li>○ A reference to the applicable criteria on the basis of which the RP has performed the compilation of the PFI, and the source of the criteria;</li> </ul> </li> <li>• A statement that the RP is responsible for compiling the PFI on the basis of the applicable criteria;</li> <li>• A description of the practitioner's responsibilities, including statements that:             <ul style="list-style-type: none"> <li>○ The practitioner's responsibility is to express an opinion about whether the PFI has been compiled, in all material respects, by the RP on the basis of the applicable criteria;</li> <li>○ For purposes of this engagement, the practitioner is not responsible for updating or reissuing any reports or opinions on any historical FI used in compiling the PFI, nor has the</li> </ul> </li> </ul>

## Ready Referencer on Engagement and Quality Control Standards

	<p>practitioner, in the course of this engagement, performed an audit or review of the FI used in compiling the PFI; and</p> <ul style="list-style-type: none"><li>○ The purpose of PFI included in a prospectus is solely to illustrate the impact of a significant event or transaction on UFI of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, the practitioner does not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented;</li><li>● A statement that the engagement was performed in accordance with SAE 3420 which requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the RP has compiled, in all material respects, the PFI on the basis of the applicable criteria;</li><li>● Statements that:<ul style="list-style-type: none"><li>○ A reasonable assurance engagement to report on whether the PFI has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the RP in the compilation of the PFI provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:<ul style="list-style-type: none"><li>▪ The related PFA give appropriate effect to those criteria; and</li><li>▪ The PFI reflects the proper application of those adjustments to the UFI;</li></ul></li><li>○ The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the entity, the event or transaction in respect of which the PFI has been compiled, and other relevant engagement circumstances; and</li><li>○ The engagement also involves evaluating the overall presentation of the PFI;</li></ul></li><li>● Unless otherwise required by L&amp;R, the practitioner's opinion using one of the following phrases, which are regarded as being equivalent:<ul style="list-style-type: none"><li>○ The PFI has been compiled, in all material respects, on the basis of the [applicable criteria]; or</li><li>○ The PFI has been properly compiled on the basis stated;</li></ul></li><li>● The practitioner's signature;</li><li>● The date of the report; and</li><li>● The place of signature.</li></ul>
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## **SRS 4400 - Engagements to Perform Agreed-upon Procedures Regarding Financial Information**

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### **Introduction**

The purpose of this SRS is to establish standards and provide guidance on the auditor's professional responsibilities when an engagement to perform agreed-upon procedures (AUP) regarding financial information (FI) is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement.

In an engagement to perform AUP, the auditor is engaged by the client to issue a report of factual findings, based on specified procedures performed on specified subject matter of specified elements, accounts or items of a FS. For example, an engagement to perform AUP may require the auditor to perform certain procedures concerning individual items of financial data, say, accounts payable, accounts receivable, purchases from related parties and sales and profits of a segment of an entity, or a FS, say, a balance sheet or even a complete set of FS.

This SRS is directed towards engagements regarding FI. However, it may provide useful guidance for engagements to perform AUP regarding non-financial information; provided the auditor has adequate knowledge of the subject matter in question and reasonable criteria exist on which to base his findings. The principles laid down in the other SAs, issued by the ICAI, may be used by the auditor, to the extent practicable, in applying this SRS.

### **Objective of an Agreed-upon Procedures Engagement**

The objective of an AUP engagement is for the auditor to carry out procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings.

As the auditor simply provides a report of the factual findings of AUP, no assurance is expressed by him in his report. Instead, users of the report assess for themselves the procedures and the findings reported by the auditor and draw their own conclusions from the work done by the auditor.

The report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results. However, it is possible in certain circumstances that the report of the engagement may not be restricted only to those parties that have agreed to the procedures to be performed, but made available to a wider range of entities or individuals, e.g., in case of government organisations.

### **General Principles of an Agreed-upon Procedures Engagement**

The auditor should comply with the Code of Ethics issued by the ICAI.

Independence is not a requirement for AUP engagement, however, the terms or objective of the engagement may require the auditor to comply with the independence requirements of the Code of Ethics issued by the ICAI. Where the auditor is not independent, a statement to that effect should be made in the report of factual findings.

## **Ready Referencer on Engagement and Quality Control Standards**

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The auditor should conduct an AUP engagement in accordance with this SRS and the terms of the engagement.

### **Defining the Terms of the Engagement**

The auditor should ensure with representatives of the entity and, ordinarily, other specified parties who will receive copies of the report of factual findings, that there is a clear understanding regarding the agreed procedures and the conditions of the engagement. Matters to be agreed include the following:

- Nature of the engagement including the fact that the procedures performed will not constitute an audit or a review and that accordingly no assurance will be expressed.
- Stated purpose for the engagement.
- Identification of the FI to which the AUP will be applied.
- NTE of the specific procedures to be applied.
- Limitations on distribution of the report of factual findings. When such limitation would be in conflict with the legal requirements, if any, the auditor would not accept the engagement.

It is in the interests of both the client and the auditor that the auditor sends an engagement letter documenting the key terms of the appointment. An engagement letter confirms the auditor's acceptance of the appointment and helps avoid misunderstanding regarding such matters as the objectives and scope of the engagement, the extent of the auditor's responsibilities and the form of reports to be issued.

Matters that would be included in the engagement letter include:

- A listing of the procedures to be performed as agreed-upon between the parties.
- A statement that the distribution of the report of factual findings would be restricted to the specified parties who have agreed to the procedures to be performed.

### **Planning**

The auditor should plan the work so that an effective engagement will be performed.

### **Documentation**

The auditor should document matters which are important in providing evidence to support the report of factual findings, and evidence that the engagement was carried out in accordance with this SRS and the terms of the engagement.

### **Procedures and Evidence**

The auditor should carry out the procedures agreed-upon and use the evidence obtained as the basis for the report of factual findings.

The procedures applied in an engagement to perform AUP may include:

- Inquiry and analysis.
- Recomputation, comparison and other clerical accuracy checks.
- Observation.
- Inspection.
- Obtaining confirmations.

## **Reporting**

The report on an AUP engagement needs to describe the purpose and the AUP of the engagement in sufficient detail to enable the reader to understand the nature and the extent of the work performed. The report should also clearly mention that no audit or review has been performed.

The report of factual findings should contain:

- Title;
- Addressee (ordinarily, the appointing authority);
- Identification of specific financial or non-financial information to which the AUP have been applied;
- A statement that the procedures performed were those agreed-upon with the recipient;
- A statement that the engagement was performed in accordance with the SRS applicable to AUP engagements;
- Identification of the purpose for which the AUP were performed;
- A listing of the specific procedures performed;
- A description of the auditor's factual findings including sufficient details of errors and exceptions found;
- A statement that the procedures performed do not constitute either an audit or a review and, as such, no assurance is expressed;
- A statement that had the auditor performed additional procedures, an audit or a review, other matters might have come to light that would have been reported;
- A statement that the report is restricted to those parties that have agreed to the procedures to be performed;
- A statement (when applicable) that the report relates only to the elements, accounts, items or financial and non-financial information specified and that it does not extend to the entity's FS taken as a whole;
- Date of the report;
- Place of signature; and
- Auditor's signature.

## SRS 4410(Revised) - Compilation Engagements

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### Scope of this SRS

This SRS deals with the practitioner's responsibilities when engaged to assist mgt with the preparation and presentation of historical FI without obtaining any assurance on that information, and to report on the engagement in accordance with this SRS.

This SRS applies to compilation engagements (CE) for historical FI. The SRS may be applied, adapted as necessary, to CE for FI other than historical FI, and to CE for non-financial information. Hereinafter in this SRS, reference to "financial information" means "historical financial information."

When the practitioner is requested to assist mgt with the preparation and presentation of FI, appropriate consideration may need to be given to whether the engagement should be undertaken in accordance with this SRS. Factors that indicate that it may be appropriate to apply this SRS, including reporting under this SRS, include whether:

- The FI is required under provisions of applicable L&R, and whether it is required to be publicly filed.
- External parties other than the intended users of the compiled FI are likely to associate the practitioner with the FI, and there is a risk that the level of the practitioner's involvement with the information may be misunderstood, for example:
  - If the FI is intended for use by parties other than mgt or TCWG, or may be provided to, or obtained by, parties who are not the intended users of the information; and
  - If the practitioner's name is identified with the FI.

### ***Relationship with SQC 1***

The provisions of this SRS regarding QC at the level of individual CE are premised on the basis that the firm is subject to SQC 1.

### **The Compilation Engagement**

Since a CE is not an assurance engagement, a CE does not require the practitioner to verify the accuracy or completeness of the information provided by mgt for the compilation, or otherwise to gather evidence to express an audit opinion or a review conclusion on preparation of the FI.

Mgt retains responsibility for the FI and the basis on which it is prepared and presented. That responsibility includes application by mgt of the judgment required for the preparation and presentation of the FI, including the selection and application of appropriate accounting policies and, where needed, developing reasonable accounting estimates.

Different FRF can be used to prepare and present FI, ranging from a simple entity-specific basis of accounting to established financial reporting standards. The FRF adopted by mgt to prepare and present the FI will depend on the nature of the entity and intended use of the information.

### **Objectives**

The practitioner's objectives in a CE under this SRS are to:

- Apply accounting and financial reporting expertise to assist mgt in the preparation and

## Ready Referencer on Engagement and Quality Control Standards

presentation of FI in accordance with an applicable FRF based on information provided by mgt; and

- Report in accordance with the requirements of this SRS.

### Key Definitions

- **Compilation engagement** – An engagement in which a practitioner applies accounting and financial reporting expertise to assist mgt in the preparation and presentation of FI of an entity in accordance with an applicable FRF, and reports as required by this SRS. Throughout this SRS, the words “compile”, “compiling” and “compiled” are used in this context.

### Requirements of the Standard

Requirements	Description
<b>Conduct of a Compilation Engagement in Accordance with this SRS</b>	
<b>Complying with Relevant Requirements</b>	<p>The practitioner shall comply with each requirement of this SRS unless a particular requirement is not relevant to the CE.</p> <p>The practitioner shall not represent compliance with this SRS unless the practitioner has complied with all requirements of this SRS relevant to the CE.</p>
<b>Ethical Requirements</b>	The practitioner shall comply with relevant ethical requirements.
<b>Professional Judgment</b>	The practitioner shall exercise PJ in conducting a CE.
<b>Engagement Level Quality Control</b>	<p>The EP shall take responsibility for:</p> <ul style="list-style-type: none"> <li>• The overall quality of each CE to which that partner is assigned; and</li> <li>• The engagement being performed in accordance with the firm’s quality control policies and procedures.</li> </ul>
<b>Engagement Acceptance and Continuance</b>	
<b>Continuance of Client Relationships, Engagement Acceptance and Agreeing the Terms of the Engagement</b>	<p>The practitioner shall not accept the engagement unless the practitioner has agreed the terms of engagement with mgt, and the engaging party if different, including:</p> <ul style="list-style-type: none"> <li>• The intended use and distribution of the FI, and any restrictions on either its use or its distribution where applicable;</li> <li>• Identification of the applicable FRF;</li> <li>• The objective and scope of the CE;</li> <li>• The responsibilities of the practitioner, including the requirement to comply with relevant ethical requirements;</li> <li>• The responsibilities of mgt for: <ul style="list-style-type: none"> <li>○ The FI, and for the preparation and presentation thereof, in accordance with a FRF that is acceptable in view of the intended</li> </ul> </li> </ul>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>use of the FI and the intended users;</p> <ul style="list-style-type: none"> <li>○ Design, implementation and maintenance of such internal control as mgt determines is necessary to enable the preparation of FS free from MM, whether due to fraud or error;</li> <li>○ The accuracy and completeness of the records, documents, explanations and other information provided by mgt for the CE; and</li> <li>○ Judgments needed in the preparation and presentation of the FI, including those for which the practitioner may provide assistance; and</li> </ul> <ul style="list-style-type: none"> <li>● The expected form and content of the practitioner’s report.</li> </ul> <p>The practitioner shall record the agreed terms of engagement in an engagement letter or other suitable form of written agreement, prior to performing the engagement.</p>
<p><b>Communication with Management and Those Charged with Governance</b></p>	<p>The practitioner shall communicate with mgt or TCWG, as appropriate, on a timely basis during the course of the CE, all matters concerning the CE that, in the practitioner’s PJ, are of sufficient importance to merit their attention.</p>
<p><b>Performing the Engagement</b></p>	
<p><b><i>The Practitioner’s Understanding</i></b></p>	<p>The practitioner shall obtain an understanding of the following matters sufficient to be able to perform the CE:</p> <ul style="list-style-type: none"> <li>● The entity’s business and operations, including its accounting system and accounting records; and</li> <li>● The applicable FRF, including its application in the entity’s industry.</li> </ul>
<p><b><i>Compiling the Financial Information</i></b></p>	<p>The practitioner shall compile the FI using the records, documents, explanations and other information, including significant judgments, provided by mgt.</p> <p>The practitioner shall discuss with mgt, or TCWG as appropriate, those significant judgments, for which the practitioner has provided assistance.</p> <p>Prior to completion of the CE, the practitioner shall read the compiled FI in light of the practitioner’s understanding of the entity’s business and operations, and of the applicable FRF.</p> <p>If, the practitioner becomes aware that the records, documents, explanations or other information, including significant judgments, provided by mgt are incomplete, inaccurate or otherwise unsatisfactory, the practitioner shall bring that to the attention of mgt and request the additional or corrected information.</p> <p>If the practitioner is unable to complete the engagement because mgt has failed to provide records, documents, explanations or other information, including significant judgments, as requested, the practitioner shall withdraw from the engagement and inform them of the</p>

**Ready Referencer on Engagement and Quality Control Standards**

	<p>reasons for withdrawing.</p> <p>If the practitioner becomes aware that:</p> <ul style="list-style-type: none"> <li>• The compiled FI does not adequately refer to or describe the applicable FRF;</li> <li>• Amendments to the compiled FI are required for the FI not to be materially misstated; or</li> <li>• The compiled FI is otherwise misleading</li> </ul> <p>The practitioner shall propose the appropriate amendments to mgt.</p> <p>If mgt declines, or does not permit the practitioner to make the proposed amendments to the compiled FI, the practitioner shall withdraw from the engagement and inform them of the reasons for withdrawing.</p> <p>If withdrawal from the engagement is not possible, the practitioner shall determine the professional and legal responsibilities applicable in the circumstances.</p> <p>The practitioner shall obtain an acknowledgement from mgt or TCWG, as appropriate, that they have taken responsibility for the final version of the compiled FI.</p>
<b>Documentation</b>	<p>The practitioner shall document:</p> <ul style="list-style-type: none"> <li>• Significant matters arising during the CE and how they were addressed by the practitioner;</li> <li>• A record of how the compiled FI reconciles with the underlying records, documents, explanations and other information, provided by mgt; and</li> <li>• A copy of the final version of the compiled FI for which mgt or TCWG, as appropriate, has acknowledged their responsibility, and the practitioner's report.</li> </ul>
<b>The Practitioner's Report</b>	<p>An important purpose of the practitioner's report is to clearly communicate the nature of the CE, and the practitioner's role and responsibilities in the engagement. The practitioner's report is not a vehicle to express an opinion or conclusion on the FI in any form.</p> <p>The practitioner's report shall be in writing, and shall include the following elements:</p> <ul style="list-style-type: none"> <li>• The report title;</li> <li>• The addressee(s), as required by the terms of the engagement;</li> <li>• A statement that the practitioner has compiled the FI based on information provided by mgt;</li> <li>• A description of the responsibilities of mgt, or TCWG as appropriate, in relation to the CE, and the FI;</li> <li>• Identification of the applicable FRF and, if a special purpose FRF is used, a description or reference to the description of that special</li> </ul>

## Ready Referencer on Engagement and Quality Control Standards

	<p>purpose FRF in the FI;</p> <ul style="list-style-type: none"><li>• Identification of the FI, including the title of each element of the FI if it comprises more than one element, and the date of the FI or the period to which it relates;</li><li>• A description of the practitioner's responsibilities in compiling the FI, including that the engagement was performed in accordance with this SRS, and that the practitioner has complied with relevant ethical requirements;</li><li>• A description of what a CE entails in accordance with this SRS;</li><li>• Explanations that:<ul style="list-style-type: none"><li>○ Since a CE is not an assurance engagement, the practitioner is not required to verify the accuracy or completeness of the information provided by mgt for the compilation; and</li><li>○ Accordingly, the practitioner does not express an audit opinion or a review conclusion on whether the FI is prepared in accordance with the applicable FRF.</li></ul></li><li>• If the FI is prepared using a special purpose FRF, an explanatory paragraph that:<ul style="list-style-type: none"><li>○ Describes the purpose for which the FI is prepared and, if necessary, the intended users, or contains a reference to a note in the FI that discloses this information; and</li><li>○ Draws the attention of readers of the report to the fact that the FI is prepared in accordance with a special purpose framework and that, as a result, the information may not be suitable for other purposes;</li></ul></li><li>• The date of the practitioner's report;</li><li>• The practitioner's signature; and</li><li>• The place of signature.</li></ul> <p>The practitioner shall date the report on the date the practitioner has completed the CE in accordance with this SRS.</p>
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## Appendix 1

### List of Abbreviations

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AE	Audit Evidence
AP	Analytical Procedures
AR	Auditor's Report
COTABD	Classes of Transactions, Account Balances and Disclosures
EL	Engagement Letter
EOM	Emphasis of Matter
EP	Engagement Partner
EQC	Engagement Quality Control
ET	Engagement Team
FI	Financial Information
FRF	Financial Reporting Framework
FS	Financial Statements
GPF	General Purpose Framework
GPFS	General Purpose Financial Statements
IT	Information Technology
KAM	Key Audit Matter(s)
L&R	Law and Regulation/ Law or Regulation
Mgt	Management
MM	Material Misstatement
NTE	Nature, Timing and Extent
OM	Other Matter
PJ	Professional Judgment
PS	Professional Skepticism
QC	Quality Control
RAP	Risk Assessment Procedure(s)
ROMM	Risk of Material Misstatement

**Ready Referencer on Engagement and Quality Control Standards**

SA	Standard on Auditing
SAAE	Sufficient Appropriate Audit Evidence
SAE	Standards on Assurance Engagements
SQC	Standard on Quality Control
SRE	Standards on Review Engagements
SRS	Standards on Related Services
SPF	Special Purpose Framework
SPFS	Special Purpose Financial Statements
TCWG	Those Charged With Governance
TOAE	Terms of Audit Engagement
TOC	Test of Controls
TOD	Test of Details
WR	Written Representation(s)

## Appendix 2

### List of Engagement and Quality Control Standards as on December 1, 2019

<b>Quality Control</b>			
<b>S. No.</b>	<b>Standard Number (SQC) (1-99)</b>	<b>Standards on Quality Control (SQCs)</b>	<b>Effective Date</b>
1	1	Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements	Effective for all engagements relating to accounting periods beginning on or after April 1, 2009.
<b>Audits and Reviews of Historical Financial Information</b>			
	<b>Standard Number (SA) (100-999)</b>	<b>Standards on Auditing (SAs)</b>	<b>Effective Date</b>
	<b>100-199</b>	<b>Introductory Matters</b>	
	<b>200-299</b>	<b>General Principles and Responsibilities</b>	
2	200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
3	210	Agreeing the Terms of Audit Engagements	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
4	220	Quality Control for an Audit of Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
5	230	Audit Documentation	Effective for audits of financial statements for periods beginning on or after April 1, 2009.
6	240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2009.
7	250	Consideration of Laws and Regulations in an Audit of Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2009.

### Ready Referencer on Engagement and Quality Control Standards

8	260(Revised)	Communication with Those Charged with Governance	Effective for audits of financial statements for periods beginning on or after April 1, 2017.
9	265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
10	299(Revised)	Joint Audit of Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2018
	<b>300-499</b>	<b>Risk Assessment and Response to Assessed Risks</b>	
11	300	Planning an Audit of Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2008.
12	315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment	Effective for audits of financial statements for periods beginning on or after April 1, 2008.
13	320	Materiality in Planning and Performing an Audit	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
14	330	The Auditor's Responses to Assessed Risks	Effective for audits of financial statements for periods beginning on or after April 1, 2008.
15	402	Audit Considerations Relating to an Entity Using a Service Organisation	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
16	450	Evaluation of Misstatements Identified during the Audit	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
	<b>500-599</b>	<b>Audit Evidence</b>	
17	500	Audit Evidence	Effective for audits of financial statements for periods beginning on or after April 1, 2009.
18	501	Audit Evidence - Specific Considerations for Selected Items	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
19	505	External Confirmations	Effective for audits of financial statements for periods beginning on or after April 1, 2010.

**Ready Referencer on Engagement and Quality Control Standards**

20	510	Initial Audit Engagements—Opening Balances	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
21	520	Analytical Procedures	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
22	530	Audit Sampling	Effective for audits of financial statements for periods beginning on or after April 1, 2009.
23	540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	Effective for audits of financial statements for periods beginning on or after April 1, 2009.
24	550	Related Parties	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
25	560	Subsequent Events	Effective for audits of financial statements for periods beginning on or after April 1, 2009.
26	570(Revised)	Going Concern	Effective for audits of financial statements for periods beginning on or after April 1, 2017.
27	580	Written Representations	Effective for audits of financial statements for periods beginning on or after April 1, 2009.
	<b>600-699</b>	<b>Using Work of Others</b>	
28	600	Using the Work of Another Auditor	Effective for all audits related to accounting periods beginning on or after April 1, 2002.
29	610(Revised)	Using the Work of Internal Auditors	Effective for audits of financial statements for periods beginning on or after April 1, 2016.
30	620	Using the Work of an Auditor's Expert	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
	<b>700-799</b>	<b>Audit Conclusions and Reporting</b>	
31	700(Revised)	Forming an Opinion and Reporting on Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2018.

**Ready Referencer on Engagement and Quality Control Standards**

32	701	Communicating Key Audit Matters in the Independent Auditor's Report	Effective for audits of financial statements for periods beginning on or after April 1, 2018.
33	705(Revised)	Modifications to the Opinion in the Independent Auditor's Report	Effective for audits of financial statements for periods beginning on or after April 1, 2018
34	706(Revised)	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	Effective for audits of financial statements for periods beginning on or after April 1, 2018.
35	710	Comparative Information - Corresponding Figures and Comparative Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2011.
36	720(Revised)	The Auditor's Responsibilities Relating to Other Information	Effective for audits of financial statements for periods beginning on or after April 1, 2018.
	<b>800-899</b>	<b>Specialized Areas</b>	
37	800	Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks	Effective for audits of financial statements for periods beginning on or after April 1, 2011.
38	805	Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	Effective for audits of single financial statements or of specific elements, accounts or items for periods beginning on or after April 1, 2011.
39	810	Engagements to Report on Summary Financial Statements	Effective for engagements for periods beginning on or after April 1, 2011.
	<b>Standard Number (SRE) (2000-2699)</b>	<b>Standards on Review Engagements (SREs)</b>	<b>Effective Date</b>
40	2400(Revised)	Engagements to Review Historical Financial Statements	Applicable for reviews of financial statements for periods beginning on or after April 1, 2016.
41	2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity	Applicable for reviews of interim financial information for periods beginning on or after April 1, 2010.

**Ready Referencer on Engagement and Quality Control Standards**

<b>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>			
	<b>Standard Number (SAE) (3000-3699)</b>	<b>Standards on Assurance Engagements (SAEs)</b>	<b>Effective Date</b>
	<b>3000-3399</b>	<b>Applicable to all Assurance Engagements</b>	
	<b>3400-3699</b>	<b>Subject Specific Standards</b>	
42	3400	The Examination of Prospective Financial Information	Effective in relation to reports on projections/ forecasts, issued on or after April 1, 2007.
43	3402	Assurance Reports on Controls at a Service Organisation	Effective for assurance reports covering periods ending on or after April 1, 2011.
44	3420	Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus	Effective for assurance reports dated on or after April 1, 2016.
<b>Related Services</b>			
	<b>Standard Number (SRS) (4000-4699)</b>	<b>Standards on Related Services (SRSs)</b>	<b>Effective Date</b>
45	4400	Engagements to Perform Agreed-upon Procedures Regarding Financial Information	Applicable to all agreed upon procedures engagements beginning on or after April 1, 2004.
46	4410(Revised)	Compilation Engagements	Effective for compilation engagements undertaken after March 31, 2016.