

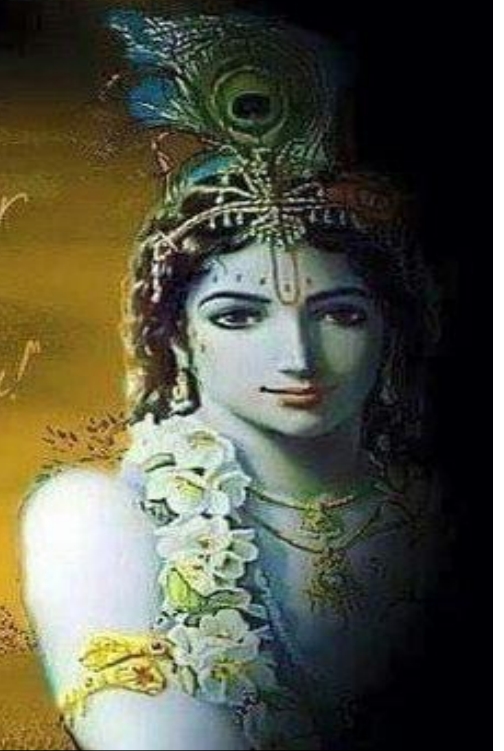
CA FINAL

ADVANCED AUDITING & PROFESSIONAL ETHICS

STANDARDS ON AUDITING

(Relevant for **MAY 2020** &
NOV 2020 examination)

*"Just surrender
unto ME
I will deliver you!"
Krishna (BG 18.66)*



These Notes has been prepared by **CA ATUL AGARWAL** (AIR 1 CA FINAL) from **ICAI Material**. These cover Chapter 1, 2, 3 and 6 of ICAI Study Material with weightage of approx. 35 Marks in the exams. Author scored Ever-Highest Marks (83) in Auditing in CA Final.

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Best Wishes... Radhe Radhe!!

STANDARDS ON AUDITING

“Chapter 1” “Standards on Auditing” – Basic Concepts

1. Standard collectively known as Engagements Standards issued by Auditing & Assurance Standards Board (AASB)

- **Standard on Auditing (SAs)** to be applied in audit of historical Financial Information
- **Standard on Review Engagements (SREs)** to be applied in review of historical Financial Information
- **Standard on Assurance Engagements (SAEs)** to be applied in assurance engagements dealing with matters other than historical Financial Information
- **Standard on Related Services (SRSs)** to be applied to engagements involving application of agreed upon procedures, Compilation engagements and Other related services engagements

2. Objectives & Functions of AASB

To review the –

- Existing & emerging auditing practices worldwide and identify areas in which Standards on quality control, Engagement Standards and Statements on Auditing need to be developed
- Existing standards & Statements on Auditing to Assess their relevance & to undertake their revision
- Existing guidance notes To assess their relevance & to undertake their revision

To Formulate –

- Engagement standards, Standards on quality control & Statements on Auditing so that these may be issued under authority of council of the Institute
- General clarification on issues arising from standards
- And issue technical guides, practice manuals, studies and other papers under its own authority for guidance of professional accountants

To Develop Guidance Notes on –

- Issues arising out of any standard
- Auditing issues pertaining to any specific industry
- General Issues

STANDARDS ON AUDITING

The Council of the ICAI has issued following Quality Control & Engagement Standards:

No.	Title of the Standard
1	SQC 1 Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements
2	SA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit as per SA
3	SA 210 Agreeing the Terms of Audit Engagements
4	SA 220 Quality Control for an Audit of Financial Statements
5	SA 230 Audit Documentation
6	SA 240 The Auditor's responsibilities Relating to Fraud in an Audit of Financial Statements
7	SA 250 Consideration of Laws and Regulations in an Audit of Financial Statements
8	SA 260 Communication with Those Charged with Governance
9	SA 265 Communicating Deficiencies in Internal Control to TCWG and Management
10	SA 299 Responsibility of Joint Auditors
11	SA 300 Planning an Audit of Financial Statements
12	SA 315 Identifying and Assessing Risks of MM through Understanding the Entity and its Environment
13	SA 320 Materiality in Planning and Performing an Audit
14	SA 330 The Auditor's Responses to Assessed Risks
15	SA 402 Audit Considerations Relating to an Entity Using a Service Organization
16	SA 450 Evaluation of Misstatements Identified during the Audits
17	SA 500 Audit Evidence
18	SA 501 Audit Evidence - Specific Considerations for Selected Items
19	SA 505 External Confirmations
20	SA 510 Initial Audit Engagements-Opening Balances
21	SA 520 Analytical Procedures
22	SA 530 Audit Sampling
23	SA 540 Auditing Accounting Estimates, Including Fair Value AE, and Related Disclosures
24	SA 550 Related Parties
25	SA 560 Subsequent Events
26	SA 570 Going Concern
27	SA 580 Written Representations
28	SA 600 Using the Work of Another Auditor
29	SA 610 Using the Work of Internal Auditors
30	SA 620 Using the Work of an Auditor's Expert
31	SA 700 Forming an Opinion and Reporting on Financial Statements
32	SA 701 Communicating Key Audit Matters in the Independent Auditor's Report
33	SA 705 Modifications to the Opinion in the Independent Auditor's Report
34	SA 706 Emphasis of Matter Paragraphs & Other Matter Paragraphs in Independent Auditor's Report
35	SA 710 Comparative Information – Corresponding Figures and Comparative Financial Statements
36	SA 720 The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements
37	SA 800 Special Considerations-Audits of FS Prepared as per Special Purpose Framework
38	SA 805 Special Considerations-Audits of Single Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
39	SA 810 Engagements to Report on Summary Financial Statements
40	SRE 2400 Engagements to Review Historical Financial Statements
41	SRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity
42	SAE 3400 The Examination of Prospective Financial Information
43	SAE 3402 Assurance Reports on Controls At a Service Organisation
44	SAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus
45	SRS 4400 Engagements to Perform Agreed Upon Procedures Regarding Financial Information
46	SRS 4410 Compilations Engagements

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STANDARDS ON AUDITING

"SA 200" Overall objectives of the Independent Auditors & the conduct of an Audit in Accordance with SA

Purpose of Audit → To enhance the degree of confidence of intended users in FS

SA require the auditor → to obtain reasonable assurance whether FS as a whole are free from MM

Reasonable assurance is a high level of assurance → To reduce audit risk to an acceptably low level → Reasonable assurance is not an absolute level of assurance because there are inherent limitations of an Audit.

(i) **Premise on which an audit is conducted / Mgt. & TCWG have the following responsibilities:**

- Preparation & presentation of FS as per FRF → includes design, implementation and maintenance of internal control relevant to preparation & presentation of FS → that are free from MM
- To provide the auditors with:-
 - (a) All information such as records & documents relevant to preparation and presentation of FS
 - (b) Any additional information, auditor's request from mgt. & TCWG
 - (c) Unrestricted access to those within entity which auditor determines necessary to obtain audit evidence

Professional Judgment

Application of relevant training knowledge & experience provided by auditing, accounting & ethical standards for making informed decisions.

Professional Skepticism

An attitude that includes a questioning mind, being alert to conditions that indicate misstatement due to error or fraud & a critical assessment of audit evidence

Other points

Auditor may accept → Records & documents → as genuine → unless reason to believe the contrary

Auditor cannot expected → to disregard past experience of honesty & integrity of Mgt. & TCWG

STANDARDS ON AUDITING

"SA210" Agreeing the terms of Audit Engagement

- (i) **Objective of Auditor → How to decide whether to accept or continue audit engagement**
- Whether preconditions for an audit are present
 - Whether there is common understanding between auditor & Mgt/TCWG of terms of audit engagement
- (ii) **Preconditions for an audit**
- Determine whether FRF applied in preparation of FS acceptable
 - Mgt. acknowledges & understands its responsibility:-
 - (a) Preparation & presentation of FS as per FRF → includes design, implementation and maintenance of internal control relevant to preparation & presentation of FS → that are free from MM
 - (b) To provide the auditors with:-
 - All information such as records & documents relevant to preparation and presentation of FS
 - Any additional information, auditor's request from mgt. & TCWG
 - Unrestricted access to those within entity which auditor determines necessary to obtain audit evidence
- (iii) **Limitation on Scope imposed prior to Audit Engagement acceptance**
- If Mgt./TCWG impose limitation on scope of auditor's work and limitation will result in disclaiming an opinion on FS → Auditor shall not accept such a limited engagement → Unless required by law or regulation. Auditor shall also not accept → If preconditions for an audit are not present.
- (iv) **Agreement on Audit Engagement Terms / Audit Engagement Letter & what it contains**
- Auditor shall agree terms of audit engagement with Mgt. & agreed terms of audit engagement shall be recorded in Audit Engagement Letter or other form of written agreement & shall include:-
- (a) Objective & scope of audit of FS
 - (b) Responsibilities of Auditor
 - (c) Responsibilities of Mgt
 - (d) Identification of applicable FRF for preparation of FS
- (v) **Factors where it is appropriate to revise the terms of engagement or to remind entity of existing terms (Recurring Audits)**
- a) Any indication that entity misunderstands the objective & scope of audit
 - b) Any revised or special terms of engagement
 - c) A recent change in senior management
 - d) Significant change in ownership
 - e) Significant change in nature & size of entity's business
 - f) Change in legal or regulatory requirements
 - g) Change in FRF adopted in preparation of FS
 - h) Change in other reporting requirements

STANDARDS ON AUDITING

"SA 220" Quality control for an Audit of Financial statement

(i) **Factors considered for incorporating quality control in audit work at firm level**

- Professional Requirements
- Skills & competence
- Assignment
- Delegation
- Consultation
- Acceptance & Retention of Clients

Quality control is not confined to audit firm alone, it extended to individual audits also

(ii) **Relying on work performed by another auditor**

An engagement partner taking over an audit during the engagement may apply review procedures such as:-

- Work performed as per professional standards & regulatory & legal requirements
- Significant matters raised for further consideration
- Appropriate consultation have been taken place & resulting conclusion documented & implemented
- There is a need to revise the NTE of work performed
- Work Performed supports the conclusions reacted and is appropriately documented
- Evidence obtained is sufficient & appropriate to support auditor's report
- Objective of the engagement procedures have been achieved.

When auditor delegates work → Continues to be responsible for forming & expressing his opinion.
He is entitled to rely on work performed by other → Provided he exercise adequate skill & care and carefully direct, supervise, review work delegated.

STANDARDS ON AUDITING

"SA 230" "Audit Documentation"

Meaning

Record of audit procedures performed, relevant audit evidence obtained and conclusions the auditor reached. (Terms such as working paper / work papers also used)

(i) Purpose of Audit Documentation → Why documentation

- Assisting engagement team to plan & perform the audit
- Assisting members of engagement team responsible for supervision to supervise audit work
- Enabling engagement team to be accountable for its work.
- Retaining a record of matters of continuing significance for future audit
- Enabling conduct of quality control review & inspection
- Enabling conduct of external inspection as per applicable legal requirements

(ii) Timely preparation of Audit Documentation

- Audit documentation should be prepared on timely basis
- Documentation prepared after audit work has been performed are likely to be less accurate than documentation prepared at the time when such work is performed.

(iii) Assembly of the Final Audit file

- Auditor shall assemble audit documentation in an audit file & complete administration process on a timely basis within 60 days after date of auditor's report
- After assembly completed, auditor shall not delete or discard audit documentation of any nature before end of its relation period which is not shorter than 7 years from date of auditor's report
- If auditor finds necessary to modify or add documentation after assembly of Final audit file completed → Auditor shall document:-
 - (a) Specific reasons for making them
 - (b) When & by whom they were made & reviewed.

(iv) Ownership of Audit Documentation-Auditor responsibility to provide access to working papers

- As per SQC, Audit documentation is the property of Auditor. Auditor may at its discretion make copies of or extract from working papers available to the client → provided such disclosure does not undermine the validity of work performed and independence of auditor or of his personnel.
- Auditor responsibility to provide access only to regulators but not to third parties.

(v) Factors influencing the amount of working papers required to be maintained for Audit

Form, content & extent of Audit documentation depends on the following factors:-

- Size & complexity of Entity
- Nature of Audit procedure to be performed
- Identified risks of MM
- Significance of Audit Evidence obtained
- Nature & Extent of Exceptions identified
- Need to document a conclusion or basis for a conclusion not readily determinable from documents of work performed or evidence obtained
- Audit methodology & tools used
- Timely preparation of Audit documentation.

STANDARDS ON AUDITING

“SA 240” “The Auditor's responsibilities relating to Fraud in an Audit of Financial Statements”

(i) Duties & Responsibilities of an Auditor in case of MM resulting from Management Fraud

- Misstatement in FS can arise from → Fraud or Error
- Fraud is an intentional act by one or more individuals among Mgt. or TCWG
- Auditor is concerned with fraudulent acts that cause MM in FS
- Fraud involving 1 or more member of Mgt. or TCWG is Management Fraud
- Primary Responsibility for prevention & detection of fraud is TCWG & Mgt. of entity
- Auditor is responsible for obtaining reasonable assurance that FS as a whole are free from MM caused by error or Fraud
- Owing to inherent limitations of Audit → There is unavoidable risk that some MM may not be detected even if audit is properly planned & performed as per SA
- Risk of not detecting MM from Mgt. Fraud is greater than from employee fraud because Mgt. directly or indirectly manipulates Accounting records, presents fraudulent financial information and overrides control procedures
- Auditor's opinion on FS is based on the concept of obtaining reasonable assurance, hence the auditor cannot guarantee that MM will be detected
- Sec. 143 (12) of Companies Act, 2013
- Clause (x) of paragraph 3 of CARO, 2016
- Impossibility to continue the performance of audit (Point No. ii)

(ii) Impossibility to continue the performance of audit

As a result of MM resulting from fraud, the Auditor encounters exceptional circumstances that bring questions to → auditor's ability to continue performing the audit → Auditor shall :-

- Determine Professional & legal responsibilities → whether requirement to report to person → Who made the audit appointment or Regulatory Authorities
- Consider whether appropriate to withdraw from engagement → where withdrawal is legally permitted
- If auditor withdraws:
 - Discuss with appropriate level of Mgt. & TCWG → Auditor's withdrawal & reasons for withdrawal
 - Determine whether there is professional & legal requirement to report to → Person who made the appointment or Regulatory Authorities

(iii) If Written Representation in respect of fraud not provided by the company

- SA 580 WR
- Sec. 143 (12) of Companies Act, 2013
- Clause (x) of paragraph 3 of CARO, 2016
- Impossibility to continue the performance of audit (Point No. ii)

STANDARDS ON AUDITING

(iv) Steps for dealing in "Teeming & Lading" fraud

- Firstly, Auditor shall perform procedures whether FS are materially misstated because instance of fraud cannot be considered as isolated occurrence
- Secondly, Auditor needs to consider impact of fraud on FS & Disclosure in Audit Report
- Thirdly, Auditor should communicate matter to Chairman & BOD
- Finally, Fraud committed at highest level of Mgt. affects reliability of audit evidence previously obtained, since genuine doubt about representation of Mgt.
- Sec. 143 (12) of Companies Act, 2013
- Clause (x) of paragraph 3 of CARO, 2016

(v) Auditor's responsibility in Errors in Inventories/ Auditor's responsibility in difference between control A/c's and subsidiary records

- If circumstances indicate existence of fraud or error → Auditor should consider potential effect of suspected fraud or error on FI → If material effect on FI → Perform modified or additional procedure as appropriate
- When auditor identifies misstatement → evaluate whether these are indicative of fraud → If indication → Evaluate implications of misstatement to other aspects of audit
- When auditor confirms that or unable to conclude whether FS are materially misstated as result of fraud → Evaluate the implications for audit.
- Auditor should request mgt. to adjust Financial Information. If Mgt. refuses to adjust, auditor shall express qualified or adverse opinion.

(vi) Possible sources of Fraudulent Financial Reporting

- Fraudulent Financial Reporting involves intentional misstatement or omissions of amounts or disclosure in FS to deceive FS users.
- It may be accomplished by:
 - Manipulation, falsification
 - Alteration of records
 - Misrepresentations or Intentional Omission in FS
- It also involves Mgt. override of controls, misappropriation of assets etc.
- **Fraud committed by Mgt. overriding controls using techniques such as:**
 - Recording fictitious journal entries
 - Inappropriately adjusting assumption & changing judgments
 - Concealing or not disclosing facts
 - Engaging in complex transactions
 - Altering records & terms
 - Embezzling Receipts
 - Stealing physical assets or intellectual Property
 - Causing entity to pay for goods & services not received
 - Using entity assets for personal use

STANDARDS ON AUDITING

(vii) Risk factors relating to misstatements arising from misappropriation of Assets

- Misappropriation of Assets involve theft & perpetrated by employees in small & immaterial amounts. It also involve Mgt. who is able to disguise & conceal that are difficult to detect
- Risk factors are classified according to 3 conditions - Incentives/Pressures, Opportunities and Attitude/Rationalization
- Example of Risk Factors are:
 - (a) Incentives / pressures
 - Personal financial obligations create pressure on Mgt. & Employees to Misappropriate assets
 - Adverse relationship b/w entity & employees may motivate employees to misappropriate assets. For example - Adverse relationship may be created by followings – Future layoffs, Recent changes to benefit plans, Rewards inconsistent with expectations
 - (b) Opportunities
 - Certain circumstances increase may cause assets to misappropriation such as Inventory is of small size and high value, Fixed assets are of small size and high value, Inadequate IC over assets
 - (c) Attitude / Rationalization
 - Disregard for IC
 - Behavior indicating dissatisfaction
 - Changes in Lifestyle

(viii) Auditor to make inquires of Mgt. regarding Mgt. own assessment of Risk of Fraud

- Mgt. responsibility is for entity's IC & preparation of entity's FS
- Appropriate for auditor to make inquiries regarding Mgt. own assessment of risk of fraud
- Need, Extent & Frequency of Mgt. assessment vary from entity to entity
- Auditor inquiries may provide useful information that risk of MM in FS is from employee fraud and not from management fraud.

STANDARDS ON AUDITING

"SA 250" Consideration of laws & Regulations in an Audit of Financial Statements

Non Compliance → Act of omission or commission by the entity, either intentional or unintentional which are contrary to the prevailing laws or regulations. It does not include personal misconduct related to business of entity by TCWG, mgt. or employees.

(i) **Roles / Responsibilities/ Objectives / Duties of auditor in relation to compliance with laws & regulations by the entity**

As part of obtaining understanding of entity & its environment, auditor shall obtain a general understanding of:

- a) Legal / regulatory framework applicable to entity & industry or sector in which entity operates
- b) How the entity is complying with that framework
 - Auditor shall obtain S&A audit evidence regarding compliance with those laws and regulations generally recognized to have direct effect on determination of material amt. & disclosure in FS
 - Auditor shall perform following audit procedures to identify non-compliance that have material effect on FS:-
 - Inquiring of Mgt. & TCWG, whether entity is in compliance with laws & regulations
 - Inspecting correspondence with relevant licensing or regulatory authorities
 - During audit, auditor shall remain alert to possibility that other audit procedure applied bring instances of non-compliance
 - Auditor shall request Mgt. & TCWG to provide WR that all known instances of non-compliance bring to auditor attention

Thus Auditor shall responsible for obtaining reasonable assurance that FS as a whole are free from MM. In conducting Audit of FS, auditor takes into account applicable legal & regulatory framework.

(ii) **Indications of non-compliance with Laws & Regulations**

When auditors becomes aware of existence of or information about following matters it may be an indication of non-compliance with laws & regulations

- Investigation by regulatory organization & Govt. dept. or payment of fines or penalties
- Payments for unspecified services or loans to consultants, related parties or govt. employees
- Sales commission or agent fees that appear excessive in relation to those ordinary paid by the entity or in its industry or to the services actually received
- Purchasing at prices significantly above or below market price
- Unusual payment towards legal & retainership fees
- Unusual transactions with companies registered in tax heavens.
- Payments for goods/services made other than to the country from which goods/services originated
- Payments without proper exchange control documents
- Existence of an information system which fails, whether by design or by accident to provide an adequate audit trail or sufficient evidence
- Unauthorized transactions or improperly recorded transaction
- Adverse media comment

STANDARDS ON AUDITING

(iii) Reporting of Identified or suspected non compliance

Reporting non-compliance to TCWG

- Unless all TCWG are involved in mgt. of entity & aware of matters involving non-compliance already communicated by auditors, the auditor shall communicate with TCWG →Matters involving non-compliance →Come to auditor's attention during audit, other than when the matters are clearly inconsequential
- If in auditor judgment non- compliance referred above → believed to be internal & material → Auditors shall communicate the matter to TCWG as soon as practicable
- If auditor suspects →Mgt. / TCWG →involved in non-compliance, auditor shall communicate matter to next higher level of authority at the entity such as audit committee or supervising board. Where no such authority exists or auditor believe communication not be acted or unsure to whom to report, auditor shall consider the need to obtain legal advice

Reporting Non-compliance in the auditor's report on the FS

- If auditor concludes, non-compliance has a material effect on FS and not adequately reflected in FS, the auditor shall modify report as per SA 705.
- If auditor precluded by Mgt./TCWG from obtaining S&A Audit evidence to evaluate whether non-compliance that may be material to FS, auditor shall express qualified/disclaimer on basis of limitation of scope

Reporting Non-Compliance to Regulatory & Enforcement Authorities

If auditor identified or suspects non-compliance, auditor shall determine whether auditor has responsibility to report non-compliance to parties outside the entity.

(iv) Compliance with other laws

- Non-compliance with other laws / regulations may result in fines, litigations or other consequences for the entity, costs of which need to be provided in FS but are not considered to have direct effect on FS.
- Auditor should ensure disclosure & provision for costs of fines/ litigations.
- If auditor concludes non-compliance has material effect on FS – express qualified/adverse opinion.

STANDARDS ON AUDITING

"SA260" "Communication with those charged with Governance" (TCWG)

TCWG Meaning

The person or organization with responsibility for overseeing the strategic direction of the entity & obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities, TCWG may include management personnel, for example executive members of a governance board of a private or PSU or of owner's member.

(i) Matter to be communicated

The Auditor's Responsibilities in relation to FS Audit

Auditor shall communicate responsibilities of auditor in relation to FS including that:-

- (a) Auditor is responsible for forming & expressing an opinion on FS that have prepared by Mgt. with oversight of TCWG
- (b) Auditor of FS does not relieve mgt./ TCWG of their responsibilities

Planned Scope & Timing of the Audit

Audit shall communicate with TCWG an overview of planned scope & timing of audit

Significant finding from the audit

Auditors shall communicate with TCWG:-

- (a) Auditors views about significant qualitative aspect of entity's accounting practices, including accounting policies, accounting estimates & FS disclosures, Auditor shall explain to TCWG → Why auditor consider a significant accounting practice, that is acceptable under applicable FRF, not to be most appropriate to the particular circumstances of the entity.
- (b) Significant difficulties encountered during audit.
- (c) Unless all of the TCWG are involved in managing the entity:
 - Significant matters from audit that were discussed or subject to correspondence with mgt. and
 - WR the audit is representing
- (d) Other matters arising from the audit that in auditor's judgment are significant to the oversight of financial reporting process.

(ii) Additional Communication in case of listed Companies regarding Independence

In case of listed entities, auditor shall communicate with TCWG:-

- (a) A statement that the engagement team & others in the firm and network firms complied with relevant ethical requirements regarding independence.
- (b) All relationship & other matters between firm, network firms & the entity that in auditor's Judgment, may reasonably be taught to bear on independence. This shall include total fees charged during the period covered by FS. These fees shall be allocated to categories that are appropriate to assist TCWG in assessing the effect of services on independence of auditors.
- (c) Related safeguards that have been applied to eliminate identified risk to independence or reduce them to an acceptable level.

(iii) Form of communication → Factors governing mode of Communication:

Auditors → Communicate in writing with TCWG → If is auditor's judgment oral communication would not be adequate.

STANDARDS ON AUDITING

"SA 265" Communicating Deficiencies in Internal Control to TCWG & Management"

This kind of communication is known as letter of weakness

Deficiencies 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 & correct, misstatement in the FS on a timely basis or it is missing.

(i) Duty of Auditor

- Communicate appropriately to TCWG / Mgt. → deficiencies in internal control identified during audit → that in auditor judgment are of significant importance → to merit their respective attentions.
- Identify deficiencies in Internal control & determine whether individually or in combination → they constitute **significant deficiencies**
- Auditor shall communicate in writing significant deficiencies on a timely basis to TCWG

(ii) Contents of deficiency communicated

- A description of deficiencies & their potential effects
- Sufficient information to enable TCWG / Mgt. to understand deficiencies
- Auditor shall explain:
 - Purpose of audit is to express an opinion on FS
 - Auditor includes consideration of internal control to design audit procedures but not for expressing an opinion on effectiveness of internal control
 - Matters reported → limited to those deficiencies → auditor identified & concluded that they are of sufficient importance to merit being reported to TCWG

STANDARDS ON AUDITING

SA 299 "Joint Audit of Financial Statements"

Deals with the professional responsibilities, which the auditor undertakes in accepting such appointments as Joint Auditors.

1. Introduction:

- More than one Auditor conduct audit jointly & report on financial statement
- This SA does not deal with Branch Audit (SA 600)

2. Division of Work:

- By Mutual Discussion
 - Properly Documented (Otherwise Jointly liable)
 - Communicated to TCWG / Management
 - **Basis of Division**
 - (a) Identifiable Units or
 - (b) Specified Area
- If not possible, then On the basis of Asset, Liabilities, Income, Expenditure, Period

Still not possible – Work carried out by Jointly

3. Co-ordination

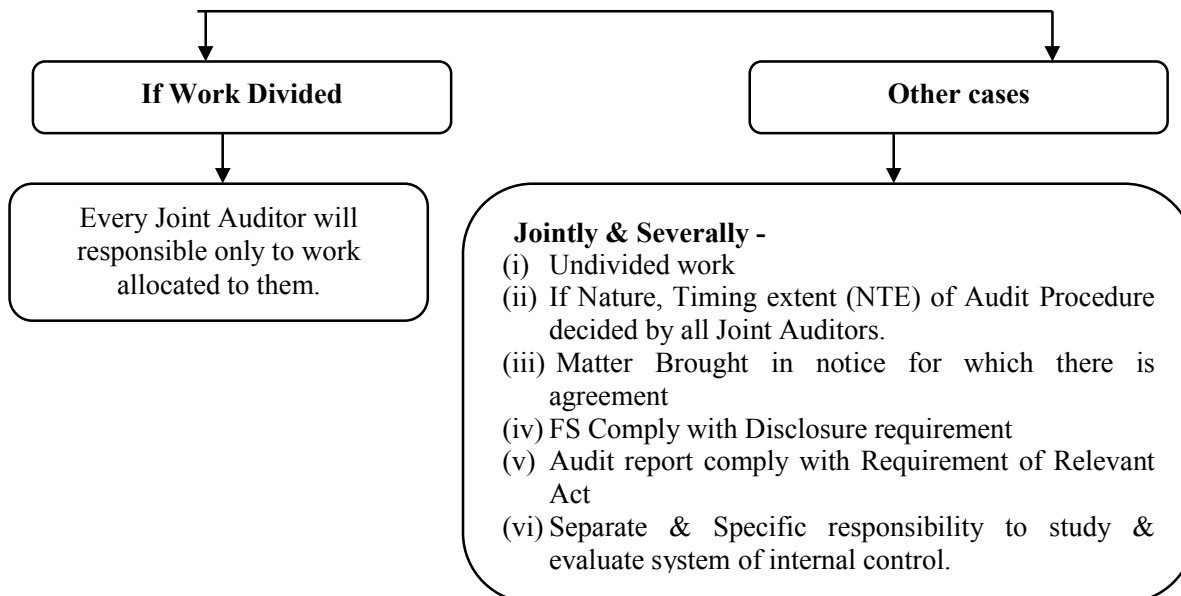
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Matter which require– Discussion, Disclosure, Judgment, and Attention

Relate with other Joint Auditor

↓
Communicate to Other Joint Auditor in written report or note **before finalization of Audit.**

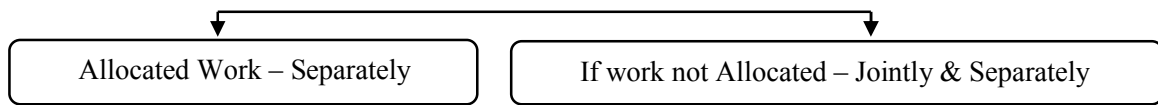
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If communicate after finalization of Audit, other Joint Auditor would not be responsible.

4. Relationship among Joint Auditors / Responsibility of Joint Auditors



STANDARDS ON AUDITING

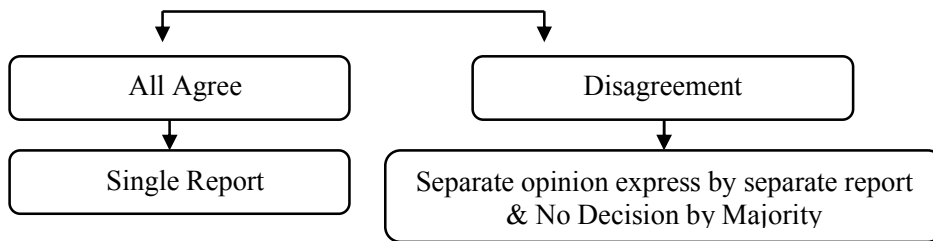
5. In case of information & Explanation received from Management: (Generally Joint Responsibility)



6. Pre-Assumption

- i. Other J.A. Work according to GAAP.
- ii. Need not to review work of other J.A.
- iii. Entitled to rely that no departure from GAAP & No Material error

7. Reporting Responsibility



STANDARDS ON AUDITING

SA 300 "Planning an audit of Financial Statement"

To plan the audit so that it will be performed in an effective manner

Involvement of key Engagement Team members –

Engagement partner + other key members → of engagement team – involved in → Planning audit

(i) **Benefits/Advantages of Planning in an Audit of Financial Statements**

- Attention to Important areas
- Timely resolution of Potential Problems
- Proper Organisation and Management of Audit Engagement.
- Proper Selection of Engagement Team
- Direction and Supervision of Engagement Team
- Easy Coordination in work done by auditors of components and experts.

(ii) **Factors while establishing Overall Audit Strategy**

- Determination of Characteristics of Audit
- Reporting Objectives
- Team's Efforts
- Preliminary Work
- Nature, timing and Extent of Resources

(iii) **Benefits of Overall Audit Strategy**

- Employment of Qualitative Resources
- Allocation of Quantity of Resources
- Timing of Deployment of Resources
- Management of Resources

(iv) **Relationship between the Overall Audit Strategy and the Audit Plan**

The audit strategy is prepared before the audit plan. The audit plan contains more details than the overall audit strategy. Audit strategy and audit plan are inter-related because change in one would result into change in the other. The audit strategy provides the guidelines for developing the audit plan. It establishes the scope and conduct of the audit procedures and thereby works as basis for developing a detailed audit plan. Detailed audit plan would include the nature, timing and extent of the audit procedures so as to obtain sufficient appropriate audit evidence.

STANDARDS ON AUDITING

“SA 315” “Identifying and assessing the risk of Material Misstatement through understanding the entity and its environment”

(i) **Identifying & Assessing the risk of material misstatement**

Auditor shall identify & assess risks of MM at FS level & Assertion level for Classes of transactions, Accounts balances & Disclosures

For this, auditor shall –

- Identify risks including relevant control relate to risks throughout process of obtaining understanding of entity & its environment by considering classes of transactions, accounts balances & disclosure.
- Assess identified risks & evaluate whether they relate more pervasively to FS and potentially effect many assertions
- Relate identified risks to what can go wrong at assertion level
- Consider likelihood of misstatement including possibility of multiple misstatement & whether potential misstatement magnitude result in MM.

(ii) **Assertion used by auditor to consider different types of potential misstatement fall into 3 categories**

(a) **Assertion – Classes of transaction & events – during audit**

- Occurrence
- Completeness
- Accuracy
- Cut-off
- Classification

(b) **Assertions – Account balance – at period end**

- Existence
- Completeness
- Rights & obligations
- Valuation & Allocation

(c) **Assertions – Presentation & Disclosure**

- Occurrence and right & Obligations
- Completeness
- Classification & understandability
- Accuracy & Valuation

(iii) **Risks that require special audit consideration [Significant Risks]**

- Auditor shall consider following:
 - (a) Whether risk is risk of fraud
 - (b) Whether risk related to recent significant economic, accounting or other developments
 - (c) Complexity of transactions
 - (d) Whether risk involves significant transactions with related parties
 - (e) whether risk involved significant transactions outside normal course of business

STANDARDS ON AUDITING

(iv) Understanding of Entity & its environment including entity's IC (Obtaining knowledge of business)

- Auditor shall obtain understanding of following :
- Relevant Industry regulatory & other external factors
- Nature of entity including-
 - Operations
 - Type of Investments
 - Ownership & governance structure
 - Way in which entity is structured & finance
- Entity's selection & application of accounting policies
- Entity's objectives & strategies & related business risks
- Measurement & Review of entity's financial performance

(v) IT also poses specific risks to an entities Internal Control

- Reliance on systems or programs → Inaccurately processing data or processing inaccurate data or both
- Unauthorized access to data
- Possibility of IT personnel gaining access privileges
- Unauthorized changes to data
- Unauthorized changes to systems or programs
- Failure to make changes to systems or programs
- Inappropriate manual intervention.
- Potential loss of data or inability to access data

STANDARDS ON AUDITING

“SA 320” “Materiality in Planning & Performing an Audit”

(i) **Determining Materiality & Performance Materiality when planning the audit (Revision as the Audit Progress / Revaluation of Materiality concept)**

- When establishing overall audit strategy, auditor shall determine materiality for FS as a whole
- If one or more CAD for which misstatement of lesser amounts than materiality for FS as a whole, auditor determine materiality level to be applied to those CAD
- Auditor shall revise materiality for FS as a whole on become aware of information during audit which cause auditor to determine a different amount initially
- If Auditor concludes lower materiality for FS as a whole, auditor shall determine whether necessary to revise performance materiality & whether NTE of further audit procedure appropriate

(ii) **Factors Affecting Identification / Use of Benchmarks in determining materiality for the FS as a whole**

Determining materiality involves professional judgment. A percentage applied to choose benchmark is a starting point in determining materiality for FS as a whole

- **Factors affect identification of benchmark**
 - Elements of FS (Assets, liabilities, Equity, Revenue, expenses)
 - Whether there are items on which attention of users are focused. (Eg. For evaluating financial performance →users focus on profit, revenue or net assets)
 - Nature of entity & the industry & economic environment
 - Entity's ownership structure & way it is financed (Eg. if entity financed by Debt →users put emphasis on asset & claims on them than on equity)
 - Relative volatility of benchmark.

STANDARDS ON AUDITING

“AS 330” “The Auditors Responses to Assessed Risks”

(i) **Auditor responses to assessed Risks of MM at assertion level**

- Consider reasons for assessment given to risk of MM at assertion level
- Obtain more persuasive audit evidence the higher the auditors assessment of risk

(ii) **Factors that may warrant a re-test of Controls**

- Changes affect relevance of audit evidence obtain in previous audits so these are no longer basis for continued reliance
- Auditor's decision whether rely on audit evidence obtained in previous audit for controls is a matter of professional judgment
- Length of time between retesting controls is also matter of professional judgment
- **Factors warrant re-test of controls are**
 - Deficient control Environment
 - Deficient monitoring of controls
 - Significant manual element to relevant controls
 - Personal changes- significantly affect application of control
 - Changing circumstances indicate need for change in control
 - Deficient general IT controls.

STANDARDS ON AUDITING

“SA 402” “Audit Consideration relating to Entity Using a service Organization”

(i) Obtaining Understanding of Services provided by Service Organization (How to obtain understanding)

- When obtaining understanding of user entity in SA 315, user auditor obtain understanding how user entity uses services of service organization in user entity's operations including:
 - Nature of services provided by service organization including effects on user entity's IC
 - Nature & Materiality of transaction processed or account affected by service organization
 - Degree of interaction b/w activities of service organization & user entity and
 - Nature of relationship b/w user entity & service organization including contractual terms for activities by service organization.

(ii) Controls at Sub-service Organization

- User entity uses a service organization which in turn uses a sub-service organization to provide services to user entity
- Sub-service organization is a Separate entity from service organization or Related to service organization
- User auditor consider controls at sub-service organization
 - Where 1 or more sub-service organization are used, then interaction b/w activities of UE & SO expanded to UE, SO, & SSO
 - User auditor shall determine whether sufficient understanding of nature of services provided by SO obtained
 - If user auditor unable to obtain sufficient understanding form UE, user auditor shall obtain understanding by application of 2 methods i.e. Type 1 Report or Type 2 Report
 - These 2 methods of reporting are known as → Inclusive method & the Carve out method
 - If type 1 or Type 2 report excludes control at SSO, User Auditor shall require to apply requirements of SA 402

STANDARDS ON AUDITING

“SA 450” “Evaluation of Misstatements Identified during the Audit”

Misstatement

- Difference b/w → ACPD of reported FS Item & ACPD required for item in applicable FRF
- Arise from error or fraud

(i) Sources of Misstatement arising from other than fraud

- Inaccuracy in gathering or processing data from which FS are prepared.
- Omission of account or disclosure
- Incorrect accounting estimate arising from overlooking & clear misstatement of facts
- Judgments of Mgt. accounting estimates or selection & application of accounting policies which auditor considers unreasonable or inappropriate.

(ii) Impact of Uncorrected Misstatements identified during audit & Auditor's responses to them [Evaluating effect of Uncorrected Misstatements]

- Auditor shall determine whether uncorrected misstatements are material (individually or aggregate)
- Auditor shall consider
 - Size & Nature of misstatement for CAD & FS
 - Effect of uncorrected misstatement related to prior periods on CAD & FS
- Auditor shall communicate with TCWG → Uncorrected misstatement & their effect
- Auditor shall reassess materiality determined in SA 320
- As per Mgt., if effect of uncorrected misstatements are immaterial, auditor shall request WR from Mgt. & TCWG
- If Mgt. refuses to adjust financial information & auditor not able to conclude whether aggregate of uncorrected misstatement is not material, auditor shall express qualified or adverse opinion

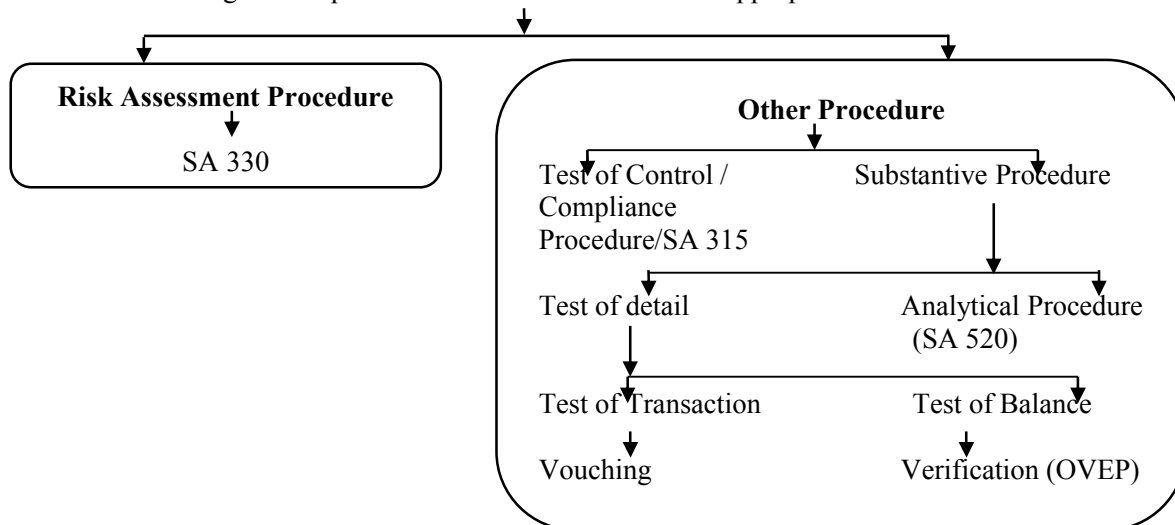
STANDARDS ON AUDITING

SA 500 "Audit Evidence"

(i) **Meaning** – Information in arriving conclusion to form opinion in Accounting record (Both Financial Information and Other information)

(ii) **Audit Procedure to obtain Audit Evidence**

Auditor shall design Audit procedure to obtain sufficient and appropriate audit evidence.



(iii) **Various Audit procedure to obtain Audit Evidence/Obtaining Audit Evidence in performing compliance & Substance procedure**

- Inspection
- Observation (Physical verification)
- External Confirmation (SA 505)
- Recalculation (Depreciation, Provision for tax)
- Re performance (ICS, Bank Reconciliation)
- Inquiry (From Knowledgeable person)
- Analytical Procedure (SA 520)

(iv)

Gratuity Valuation Based on certificate by qualified actuary. Retirement age different. Company considering increase in age. Comment.
Use report of actuary as audit evidence. How to enable work of actuary?
Group gratuity valuable by actuary shows wide variation compared to previous years figures. How to deal?

Evaluating / using the work of management Expert

As per SA 500, When information to be used as Audit evidence is prepared using work of Mgt. expert, the auditor shall to the extent necessary for auditor's purposes:–

- (a) Evaluate the competence, capability & objectivity of that expert
- (b) Obtain understanding of work of that expert.
- (c) Evaluate the appropriateness of expert's work as audit evidence

STANDARDS ON AUDITING

Auditor may obtain information regarding competence, capability and objectivity from variety of sources such as

- Personal experience with previous work of that expert
- Discussion with that expert
- Discussion with others who are familiar with expert work
- Knowledge of expert qualification
- Published paper or book written by that expert

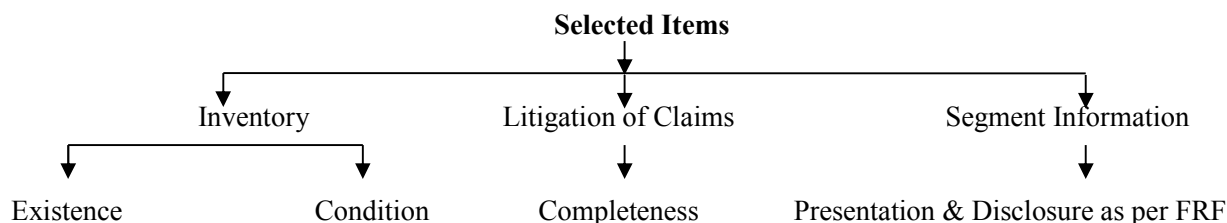
Aspect of mgt. Expert field may include what assumptions and methods are used by mgt. expert and whether they are generally accepted within expert field.

The auditor may also consider the following while evaluating appropriateness of Mgt expert work as audit evidence:

- (i) Relevance & reasonableness of expert findings & conclusion, their consistency with other audit evidence & whether appropriately reflected in FS.
- (ii) If expert work involves use of significant assumption & methods, relevance & reasonableness of these assumption & methods.
- (iii) If expert work involves use of source data, relevance, completeness & accuracy of source data.

STANDARDS ON AUDITING

SA 501: Audit Evidence – Specific Consideration For Selected Items



1) Inventory:

Material inventory – obtain S&A Audit evidence for existence & condition

- (a) Attendance of physical counting, if practical
 - (i) Evaluate mgt. instruction and procedure – for recording & controlling the results of physical counting.
 - (ii) Observation of Mgt. counting procedure
 - (iii) Inspect Inventory - This assists auditor in ascertain existence of inventory and Identifying obsolete, damaged, ageing inventories
 - (iv) Perform Test Counts
- (b) Perform audit procedure over entity record with counter results

If **physical inventory count on later date** (i.e. other than date of FS), then perform audit procedure to obtain audit evidence to check whether change in Inventory between count date and date of FS are properly recorded.

If auditor is **unable to attend on count date** then count on alternative date and perform audit procedure on intervening transactions.

- Also verify treatment given for discrepancies noticed during physical count.
- Also ensure appropriate cut off procedures followed by mgt.
- Also get WR on :-
 - Completeness of information provided
 - Assurance of physical inventory count procedures

If **impracticable to attend** due to factors such as nature & location of inventory that possesses threat to safety of auditor (General inconvenience not sufficient), then perform alternative audit procedure.

If not possible, modify report as a result of scope limitation

Example of alternative audit procedures

Inspection of documentation of subsequent sale of specific inventory items acquired or purchased prior to physical inventory counting

Stock held with third party

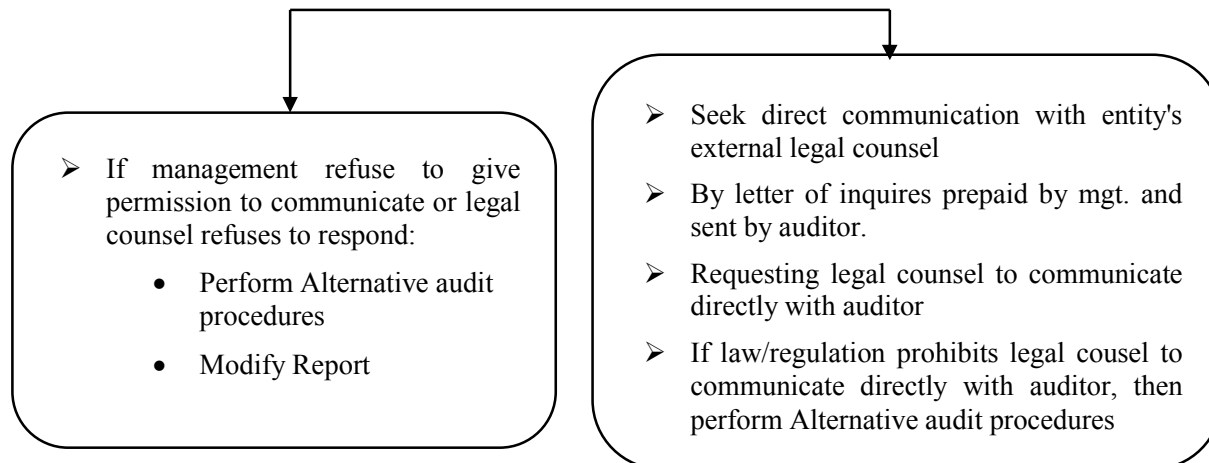
- Confirmation from third party as to the quantities & condition
- Perform Inspection or other audit procedures

STANDARDS ON AUDITING

2) Litigation & Claims:

Auditor shall design & perform audit procedure to identify litigations & claims which give rise to risk of MM.

- Inquiry from Mgt. including in house legal counsel
- Review minute books of those charged with governance
- Reviewing legal expense accounts
- If auditor assess risk of material misstatement regarding litigation & Claims



3) Segment Information:

Auditor shall obtain S&A Audit Evidence for presentation & disclosure as per FRF by:

- (a) Obtain understanding of method – Use by mgt. in determining segment information
 - (i) Evaluate whether such method provide disclosure as per FRF
 - (ii) Testing application of such method
- (b) Perform analytical or other audit procedures

STANDARDS ON AUDITING

SA 505" External Confirmation

External Confirmation is a substantive Audit procedure. Auditors use External confirmation as a means of obtaining audit evidence.

Meaning – Direct Written response

Auditors —→ Direct —→ Third Party

Positive Confirmation request

- Respond or providing the requested information
- Whether agrees or disagrees with the information in the request
- If Confirming party reply without verifying that information is correct, auditor reduce risk by using requests that do not state amounts. However, use of Blank Confirmation Request result in lower response rates.

Negative confirmation Request

- Respond only if disagrees with the information in the request

Requirements

(i) External Confirmation Procedure

- (a) Determining the information to be confirmed or requested
- (b) Selecting the appropriate confirming party – Knowledgeable person
- (c) Designing confirmation requests including determining that requests are properly addressed.
- (d) Send request & follow up on confirmation requests.

(ii) Management refusal to allow to send a confirmation request

- (a) Inquiry as to management reasons for refusal & seek audit evidence as to their validity or reasonableness
- (b) Evaluate implication of refusal on auditor's assessment of risk of material misstatement including risk of fraud & NTE of audit procedure
- (c) Perform Alternative audit procedure
- (d) If Auditor conclude management refusal as unreasonable or auditor unable to obtain reliable audit evidence from Alternative Audit procedure – Communicate with TCWG & Determine implication for audit & his opinion.

If Mgt. request not to seek confirmation due to same reasons & Auditor agrees to mgt. request

- Auditors should consider validity grounds & assess mgt. integrity and ask mgt. to submit request in written form including reasons.
- If in auditor opinion, same is not valid – Modify Report

Very old credit balance of trade payable – no confirmation available

- Identity of trade payable not traceable, so it is not a case of pending litigation
- It might be a case that income hidden in PY.
- Apply alternative audit procedures & not rely entirely on mgt. confirmation
- Include in Audit report by way of modification

STANDARDS ON AUDITING

(iii) Reliability of Response to confirmation request

- If Auditor identifies factors which gives doubts about the reliability, he shall obtain further audit evidence to resolve these doubts.
- **Unreliable Responses** - Auditor shall assess risk of material misstatements including risk of fraud
- **Non Responses** - Auditor shall perform Alternative Audit procedures

(iv) Exception

Meaning – Difference between Information requested to confirm & information provided by confirming party.

Auditor shall **investigate exception** to determine whether or not they are indicative of misstatements.

(v) Negative Confirmations

It provides less persuasive audit evidence than positive confirmations

Audit shall not use it as a sole audit procedure unless:

- (a) Auditor assess risk of MM as low & obtain S&A evidence regarding operating effectiveness
- (b) Population of items subject to Negative Confirmation comprises large no. of small items
- (c) Very low exception rate is expected
- (d) Auditor not aware of conditions cause recipient to disregard such request

Non response for negative confirmation request does not means there is some misstatement. As in negative confirmation request confirming party respond to auditor only if disagrees. Confirming party more likely to respond if information in request is not in their favor.

(vi) Examples of Alternative Audit procedures

For accounts receivable balances

- Examining specific subsequent cash receipts, shipping documentation and sales near the period end.

For accounts payable balances

- Examining subsequent cash disbursements or correspondence from third parties, and other records such as goods received note.

(vii) Situations where External confirmations can be used

- Bank Balance from bankers
- Inventories held by third parties
- Property title deeds held by third parties
- A/c receivable balances
- A/c payable balances
- Investments purchased but delivery not taken
- Loan from lenders
- Long o/s share application money

STANDARDS ON AUDITING

(viii) Factors to be considered while designing confirmation requests

- Assertions being addressed
- Specific identified risk of MM including fraud risk
- Layout & presentation of confirmation request
- Prior experience on audit or similar engagements
- Method of communication (paper/electronic)
- Mgt. authorization to confirming party to respond to auditor (respond only if authorize)
- Ability of confirming party to provide information

STANDARDS ON AUDITING

"SA 510" "Initial Audit Engagement – Opening Balances"

Meaning – An engagement in which either:

- FS for the prior period were not audited or
- FS for the prior period were audited by a predecessor auditor

(i) **Objective**

In conducting initial audit engagement, auditor objective to obtain audit evidence with respect to OB whether:

- (a) Opening Balances contains misstatement that materially affect current period FS
- (b) Appropriate accounting polices reflected in OB, consistently applied in current period FS, or
- (c) Changes thereto – properly accounted, presented & disclosed as per FRF

(ii) **Audit procedures regarding opening Balances**

- Read recent FS & Predecessor auditors report thereon.
- Shall obtain S & A Audit Evidence with respect to OB by
 - (a) Determining prior period closing balance correctly b/f to current period or any adjustment disclosed as prior period items in current year P&L
 - (b) Determining OB reflect application of appropriate accounting policies
 - (c) **Perform one or more of the following**
 - (i) If prior year FS audited – Persuing copies of Audited FS including Audit Report
 - (ii) Evaluate Audit procedure performed in current period
 - (iii) Perform specific audit procedure to obtain evidence regarding OB
- **If auditors obtains audit evidence that** OB contains misstatement which exist in current period FS, then communicate the misstatements to appropriate level of management & TCWG

For Current Assets & liabilities – Audit Evidence can be obtained as part of audit procedure during current period

For other Assets & liabilities – Examine records and confirmation from 3rd parties for obtaining audit evidence

(iii) **Audit Conclusion & reporting**

- If auditor unable to obtain S&A audit evidence regarding OB – **Qualify/Disclaim**
- Concludes – OB contains misstatement that materially affect FS or accounting polices not consistently applied or change not properly accounted, presented & disclosed – **Qualify/Adverse**

STANDARDS ON AUDITING

"SA 520" Analytical Procedure"

Meaning

Analytical Procedure is a substantive audit procedure which help near end of audit when forming an overall conclusion as to whether the financial statements are consistent.

Analytical Procedure means evaluation of Financial Information by plausible relationship among both financial & non-financial data and investigation of identified fluctuations that are inconsistent with other relevant information.

(i) **Consideration to be kept while performing Analytical Procedure Requirement (Analytical Procedure used as substantive tests)**

When designing & performing substance analytical procedure, auditor shall

- (a) Determine the suitability of SAP for given assertions taking assess risk of MM
- (b) Evaluate reliability of data from which auditor's expectation of recorded amount or ratios is developed

Following are relevant for determining whether data is reliable for designing SAP

- Source of information available
 - Comparability of information available
 - Nature and relevance of information available
 - Controls over preparation of information to ensure its completeness, accuracy & validity
- (c) Develop expectation of recorded amt. or ratios → & Evaluate expectation is sufficiently precise → to identify whether misstatement cause FS misstated
 - (d) Determine difference of recorded amount from expected values, Auditor shall investigate such difference by:-
 - Inquiry of mgt. & obtain S & A Evidence
 - Perform Alternative audit procedures

(ii) **In some cases, even an unsophisticated predictive model may be effective as an Analytical Procedure.**

In case of payroll cost – When entity has known number of employees at fixed rate of pay, auditor can use this data to calculate total payroll cost, reducing need to perform test of details.

In case of room rental income – Different analytical procedure provide different levels of assurance. Prediction of total income, room rates, vacancy provide evidence, reducing need to perform test of details.

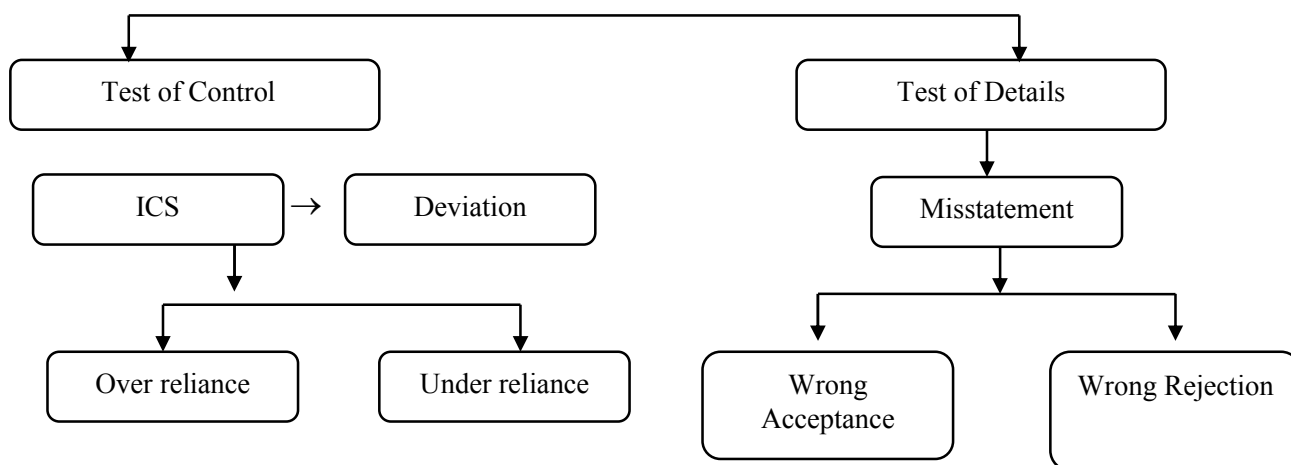
STANDARDS ON AUDITING

"SA 530" – Audit Sampling

Meaning – Application of audit procedure to less than 100% of items within a population such that all sampling units have a chance of selection. It provides auditor to draw reasonable conclusion.

(i) **Sampling Risk / Risk factors in sampling techniques**

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. It leads to two type of erroneous conclusions:



(ii) **Method of Sampling**

- Statistical
 - Random
 - Simple random
 - Stratified
 - Systematic
- Non-statistical / object oriented / judgmental

(iii) **Tolerable Misstatement**

- Monetary amt. set by auditor not exceed actual misstatement

(iv) **Tolerable rate of deviation**

- Rate of deviation from internal control procedures not exceed actual rate of deviations

(v) **Evaluating results of audit sampling**

- Auditor shall evaluate results of sample
 - Whether use of sampling → Provide reasonable basis → for conclusions about population
- If not provide reasonable basis, auditor may-
 - Request mgt. to investigate identified misstatement to make necessary adjustments

STANDARDS ON AUDITING

SA 540 "Auditing Accounting Estimate Including fair value Accounting Estimate & Related Disclosures"

Meaning

Some Financial Statement items cannot be measured precisely, but can only be estimated. Accounting estimate means an approximation of a monetary amount in the absence of a precise means of measurement.

(i) Kinds of Accounting Estimates

Two kinds of estimates are involved in preparing & presenting FS:–

- (a) Fair value Accounting estimates (Measurement objective expressed in terms of value of a current transaction, such as MP)
- (b) Other Accounting estimates

Examples of Fair Value Accounting Estimates

- Complex Financial instruments which are not traded in an active and open market
- Share based payments
- Property or equipment held for disposal
- Certain assets or liabilities acquired in a business combination, including goodwill & intangible assets
- Transaction involving the exchange of assets or liabilities between independent parties without monetary consideration, for example non-monetary exchange of plant
- Estimate of FMV of inventory.

Examples of Other Accounting Estimates

- Allowance for doubtful accounts
- Inventory obsolescence
- Warranty obligations
- Depreciation method or asset useful life
- Provision regarding carrying amt. of investment where there is uncertainty regarding its recoverability
- Outcome of long term contracts
- Financial Obligations / Cost arising from litigation settlement & Judgments

(ii) Considerations required by auditors when perform audit procedures over accounting estimates

Following steps are involved in audit of accounting estimates:

- Perform risk assessment procedures & related activities for identifying risk of misstatement
- Give responses to the assessed risks of MM by determining NTE of audit procedures
- Apply Further substantive procedures to respond to significant risks
- Evaluate the response of the Accounting Estimates & determine misstatements
- Verify whether proper disclosures related to Accounting estimates have been made as per FRF
- Obtain WR from mgt & TCWG whether assumptions in making estimates are reasonable
- Document basis and their disclosure

STANDARDS ON AUDITING

(iii) Risk Assessment Procedures to assess risk of misstatement in relation to Accounting Estimates / How to minimize the risk of material misstatement relation to AE

Auditors shall obtain an understanding of the following in order to provide a basis for identification & assessment of risks of MM relating to accounting estimate

- (i) Requirements of applicable FRF relevant to AE, including related disclosures
- (ii) How mgt. identifies those transactions, events & conditions that may give rise to the need for AE to be recognized or disclosed in the FS. In obtaining this understanding auditors shall make inquires of mgt. about circumstances that may give rise to new or the need to revise existing AE.
- (iii) The estimation making process adapted by the mgt., including:-
 - Method including where applicable the model used in making AE.
 - Relevant controls
 - Whether mgt. has used an expert
 - Assumptions
 - Whether there has been as ought to have been a change from prior period in the methods for making the AE and if so why; and
 - How mgt. has assessed the effect of estimation uncertainty

STANDARDS ON AUDITING

"SA 550" Related Parties

Meaning

A party that is either

- A related party as defined in the applicable FRF or
- Where applicable FRF establish minimum or no related party requirements:

- (a) Person or other entity that has control or significant influence directly or indirectly through one or more intermediaries over the reporting entity.
- (b) Another entity that is under common control with the reporting entity through having:
 - (i) Common controlling ownership
 - (ii) Owner who are close family members
 - (iii) Common key management
- (c) Parties under common control by a state (national/regional or local govt.) are not considered related → unless they engage in significant transaction or share resources to a significant extent with one another.

(i) Responsibilities and objectives of the Auditor

- If FRF establishes disclosure requirements → Auditor's responsibility to assess risk of MM from failure to disclose as per FRF.
- Even if FRF establish no requirements → Audit shall obtain S&A evidence that related party transactions properly disclosed to achieve True & Fair view.
- Understanding the Entity's related party relationship & transactions → **Inquiry of Mgt. regarding:**
 - (a) Identify related parties, including changes from prior period
 - (b) Nature of relationship
 - (c) Type & purpose of transactions

(ii) Maintaining Alertness for related party information by reviewing records or documents (Verification of existence of related parties for the purpose of reporting)

- During Audit, auditors shall remain alert → when inspecting records or documents for information → that indicate existence of related party relationship or transactions → that Mgt. not previously identified or disclosed to auditor. For this purpose, auditor shall inspect the following:
 - Bank, legal & third party confirmation obtained by audit procedures
 - Minutes of meetings of shareholders & TCWG
 - Such other records or documents as auditor considers necessary
- Auditor shall obtain **Written Representation** from Mgt. & TCWG regarding completeness of information provided regarding related parties.
- **Examples to verify existence of related parties:**
 - Entity IT returns
 - Info. supplied by entity to regulatory authority
 - Shareholder register to identify principal shareholders
 - Statement of conflict of interest from mgt. & TCWG
 - Contracts & agreements with Mgt. & TCWG

STANDARDS ON AUDITING

- Significant contracts & agreements not in ordinary course of business
- Life insurance policies acquired by entity
- Significant contracts re-negotiated by entity
- Internal auditor's report
- Record of entity investment & pension plans

(iii) **Identified significant related party transaction outside the entity's normal course of business (Dealing with based transaction)**

Audit Shall:

- (a) Inspect the underlying contracts or agreements & evaluate whether:
 - The business rationale of the transactions entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.
 - Terms of Transactions → consistent with mgt. explanation
 - Transactions → appropriately accounted & disclosed as per FRF
- (b) Obtain audit evidence whether transactions appropriately identified and disclosed.
 - This enables auditor to evaluate whether fraud risk factors are present.
- (c) Remain alert
- (d) Obtain Written Representation
- (e) Report
 - Achieve True & Fair View
 - Not misleading

STANDARDS ON AUDITING

"SA 560" "Subsequent Event"

Meaning

Events occurring between date of F/S and date of auditors report and facts that become known to auditor after date of auditor's report.

Read with AS 4 → Occurring obtain B/S date but before date of FS approved → Two types

- Adjusting
- Non – adjusting

(i) Auditors Responsibility regarding Subsequent Events

- Auditor shall perform audit procedures to obtain S&A Audit evidence that all subsequent events that require adjustment or disclosure in FS have been identified.
- Auditor is not expected to perform additional audit procedures if previous procedure provide satisfactory conclusions.
- Auditor shall perform procedures so that they covered period from data of FS to auditor report **which shall include the following:**
 - (a) Obtaining understanding of any procedures established by Mgt. to ensure subsequent events are identified
 - (b) Inquiring of Mgt. & TCWG → whether any subsequent events have occurred that affect the FS.
 - (c) Reading minutes of meetings of entity's owners, mgt. & TCWG → held after date of FS and inquiry about matters discussed to meeting → for which minutes not available.
 - (d) Reading entity's latest subsequent interim FS.
- When as a result of procedures performed above, Auditor identifies events that require disclosure in FS, auditor shall ensure that all subsequent events have been disclosed.
- Auditor **shall obtain written representation** from mgt. & TCWG that all subsequent events for which FRF requires adjustment or disclosure are adjusted or disclosed.

(ii) Facts which become known to the Auditor after the date of Auditor's report but before date of FS are issued

- No obligation to perform any procedure regarding FS after date of auditor's report → But if a fact cause auditor to amend audit report, **Auditor shall –**
 - (a) Discuss the matter with mgt. & TCWG
 - (b) Whether FS needs amendment
 - (c) How mgt. address matters in FS
- If Mgt. amends the FS
 - (a) Carry out audit procedures on amendment
 - (b) Extend the audit procedures to date of new report
- If FS issued without necessary amendment → Auditor shall take appropriate action → To seek to prevent reliance on auditor's report.

STANDARDS ON AUDITING

“SA 570” “Going Concern”

(i) Auditor's Responsibility

- To Obtain S & A audit evidence of appropriateness of Mgt. use of going concern assumption in preparation & presentation of FS
- To Conclude whether material uncertainty exist that cast significant doubt to continue as going concern

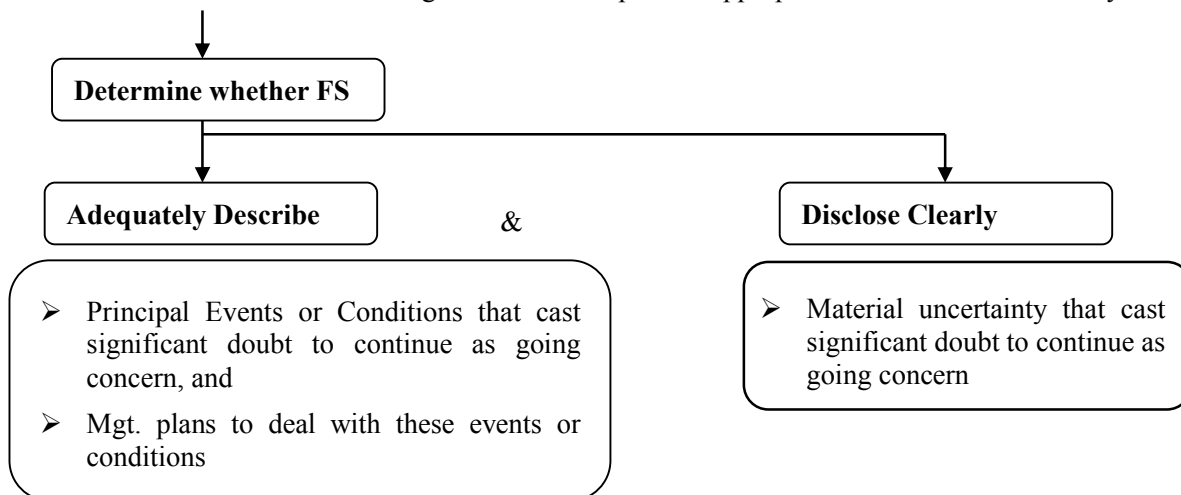
(ii) Inability to continue as Going Concern

- Auditor should ask mgt. for adequate disclosure in FS & include in his report
- If Mgt. fails to disclose → Express qualified opinion or Adverse opinion as per SA 705
- If assumption used in preparation of FS material & pervasive to make FS misleading → Express Adverse opinion & in basis for Qualified (Adverse) opinion section of auditor's report state that:
 - Material uncertainty exists that cast significant doubt to continue as going concern
 - FS not adequately disclose this matter

- Sale of all fixed assets → Not affect going concern assumption
- Future cash flow as loan from wife in liquidity constraints of company is not a mitigating factor for resolving going concern assumption

(iii) Existence of Contingent Liability / Material Uncertainty as to going concern exists

When Auditor concludes → Going Concern assumption is appropriate but material uncertainty exists



STANDARDS ON AUDITING

(iv) Additional Audit Procedures when events or conditions that cast significant doubt to continue as going concern are identified

- Auditor shall obtain S & A audit evidence to determine whether material uncertainty exists through performing additional audit procedure. Audit procedures include:
 - When Mgt. not performed assessment for going concern, request Mgt. to make assessment
 - Evaluating Mgt. plans for future actions for Going concern assessment
 - When entity has prepared a cash flow forecast, evaluate reliability of data to prepare forecast
 - Consider whether any additional facts or information available
 - Requesting WR from Mgt. & TCWG regarding future plans & feasibility

(v) Evaluating Going Concern Assumption (Important Indications)

Auditor should consider appropriateness of Going Concern assumption in preparation of FS. Auditor should examine following indications:

(a) Financial Indications

- Net liability or Net Current Liability Position
- Fixed term borrowings approaching maturity
- Indication of withdrawal of financial support by creditors
- Negative operating cash flows indicated by FS
- Adverse key financial ratios
- Arrears or Discontinuance of dividends
- Inability to pay creditors on due dates
- Inability to comply with terms of loan of agreements
- Inability to obtain financing for new product
- Substantial operating losses
- Change from credit to cash on delivery transactions with supplies

(b) Operating Indications

- Management intention to liquidate the entity or to cease operations
- Loss of key management without replacement
- Loss of major market, key customer or principal suppliers
- Labour difficulties
- Shortage of important supplies
- Emergence of a highly successful competitor

(c) Other Indications

- Non-compliance with capital or other statutory requirements such as solvency or liquidity
- Pending legal or regulatory proceedings against entity result in claims entity unable to safety
- Changes in law or regulation or Govt. policy expected to diversely affect the entity
- Uninsured or under insured catastrophe when they occur

Significance of such events or condition can be mitigated by other factors. **For example:**

- Effect of entity unable to make normal debt replacement may be counter balanced by Mgt. plans to maintain adequate cash flows by alternative means such as by disposing of assets, rescheduling loan payments, or obtaining additional capital.
- Loss of principal suppliers may be mitigated by availability of suitable alternative source of supply.

STANDARDS ON AUDITING

"SA 580" Written Representation"

Meaning

- A written statement by management → Provided to the auditor → to confirm certain matters or to support other Audit evidence.
- WR do not include FS, the assertions therein, or supporting books & records.

(i) Objectives of Auditors

- To obtain WR → from mgt. & TCWG → that they fulfill their responsibility for preparation of FS & completeness of information provided to the auditor.
- To support other audit evidence by means of WR
- To respond appropriately to WR provided by mgt. or TCWG. Also respond if mgt. not provide WR requested by auditor.

(ii) Management from whom WR is requested

- Appropriate responsibilities for FS
- Knowledge of the matters concerned

(iii) Period covered by and form of Written Representation

- Date of WR Shall be as near as practicable to but not after date of auditor's report
- The WR shall be for all FS & Period referred in Auditor's report
- WR shall be in the form of a representation letter addressed to the auditor.

(iv) Doubt as to the reliability of Written Representation / Extent of Reliance on WR

- If auditor has concerns about competence, integrity, ethical values or diligence of mgt. or about its commitment to enforcement of these, Auditors shall determine the effect that such concerns may have on the reliability of representations and audit evidence in general.
- If WR are in consistent with other audit evidence → Perform audit procedures to resolve the matters.
- If auditor concludes WR not reliable → take appropriate actions including determining the possible effect on opinion in auditor report

(v) Requested Written Representation not provided by Mgt.

The Auditor shall:

- Discuss the matter with mgt.
- Re-evaluate the integrity of Mgt & evaluate the effect that this may have on the reliability of representations & audit evidence in general.
- Take appropriate actions including determining the possible effect on opinion in the auditor's report as per SA 705.

STANDARDS ON AUDITING

- Auditor shall disclaim an opinion on FS as per SA 705 if–
 - (a) Auditor concludes that there is sufficient doubt about integrity of mgt. such that WR are not reliable.
 - (b) Mgt. does not provide the WR required.

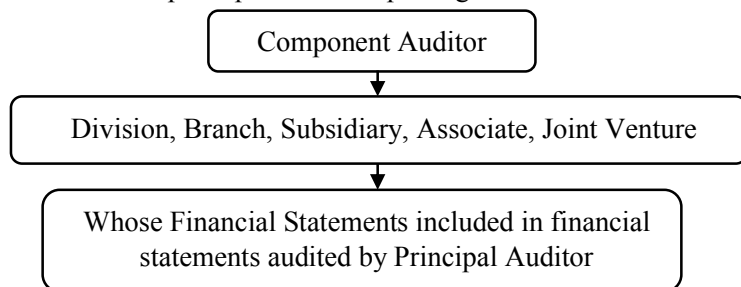
(vi) **Other special points**

- **Written Representation as Audit Evidence** → Audit Evidence is all the information used by the auditors in arriving at the conclusions on which the audit opinion is based. WR are necessary information which auditor requires for audit of entity's FS. Similar to responses to inquiries, WR are Audit Evidence.
- Although WR provide necessary evidence, they do not provide S&A Audit Evidence on their own about any of the matter with which they deal.
- Fact that mgt. provide reliable WR shall not affect nature or extent of other audit evidence that auditor obtain about fulfillment of mgt. responsibilities.
- When WR relate to matters which are material to the financial information, then the Auditor should seek corroborative audit evidence from other sources inside or outside the entity.
- Auditors should evaluate whether such WR are reasonable & consistent with other evidences & shall consider whether individuals making such representations can be expected to be well informed on the matter. WR cannot be a substitute for other Audit evidence that the auditors could responsibility expect to obtain.

STANDARDS ON AUDITING

SA 600 "Using the work of Another Auditor"

Applied in situations where principal auditor reporting on FS uses work of another auditor.



(1) Applicability

Not Applicable on

- (i) Joint Audit → SA 299
- (ii) Predecessor Auditor → SA 510
- (iii) Immaterial Component

(2) Acceptance for Principal Auditor:

Able as a principal Auditor - Following Consideration:

- (i) Major Portion of Financial Statement
- (ii) Degree of knowledge regarding business of component
- (iii) Risk of material misstatement in Component
- (iv) Additional Audit Procedure Regarding Component

(3) Audit Procedure to be performed by Principal Auditor:

- (i) May visit & examine records of Branch
- (ii) Normally entitled to rely on work of other Auditor
- (iii) Check Professional Competance of other Auditor only if other Auditor is not C.A.
- (iv) Principal Auditor may require other Auditor to answer a detail questionnaire regarding some matters. Other auditor should response to such questionnaire on timely basis.
- (v) If principal Auditor satisfied that other Auditor follow quality Control procedure then no need of above procedures but responsibility continued.
- (vi) Principal Auditor may conduct supplement test audit of records or finding of company

(4) Coordination:

There should be sufficient liaison (communication) between principal and other Auditor

Principal Auditor → Other Auditor

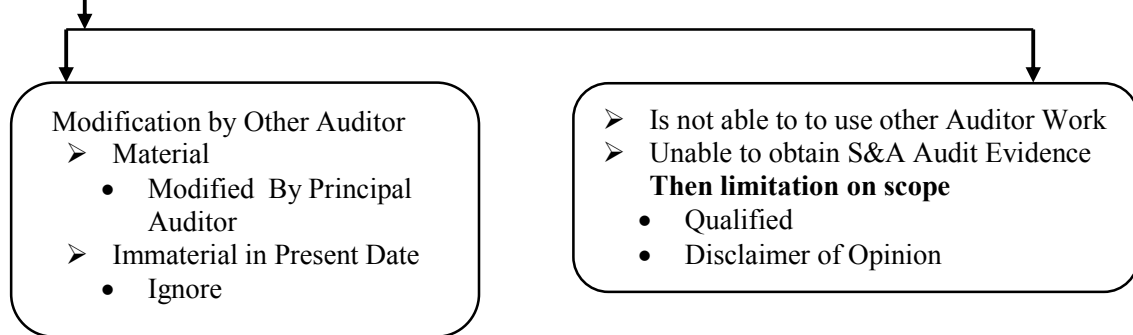
- Principal Auditor should advise important matters to other Auditor
- Principal auditor should Issue written communication for time table and matters which require special attention.

Other Auditor → Principal Auditor

- Matter on which immediate action require.
- Ensure compliance with relevant statutory requirements.

STANDARDS ON AUDITING

5) Reporting

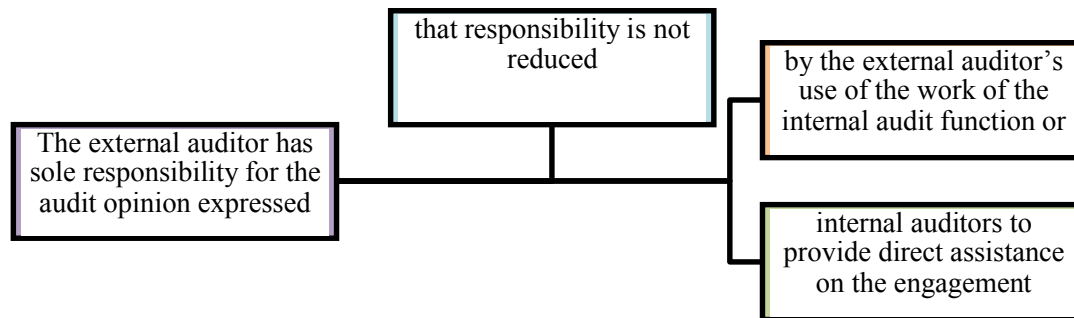


6) Division of Responsibility:

- Principal Auditor is not liable / responsible in respect of the work entrusted to the other auditors unless doubt about procedure/reliability of work of Other Auditor
- Clearly specify in report about division of responsibility and all components by indicating the extent to which the financial information of components audited by the other auditors have been included in the financial information of the entity, e.g., the number of divisions/branches/subsidiaries or other components audited by other auditors

STANDARDS ON AUDITING

“SA 610” “Using the work of Internal Auditors”



(i) **Evaluating the Internal Audit Function [Rely on report of Internal Auditor]**

- While determining whether work of internal auditors can be used, external auditor shall evaluate:
 - Extent to which internal Audit Function organizational structures & relevant policies & procedures support objectivity of internal Auditors
 - Level of competence of internal Audit function, and
 - Whether internal audit function applies disciplined & systematic approach including quality control
- Further external Auditor shall not use work of internal Audit function if determines that:
 - Functions Organizational structures & relevant policies & procedures not adequately support objectivity of internal Auditor
 - Function lacks sufficient competence or
 - Function does not apply systematic & disciplined approach including quality control

(ii) **External Auditor shall not use internal Auditors to provide direct assistance to perform procedures which –**

- Involve making significant judgments
- Relate to higher assessed risks of MM
- Relate to work in which Internal auditor involved & already been reported to Mgt. or TCWG
- Relate to decisions external auditors makes regarding internal audit

STANDARDS ON AUDITING

“SA 620” “Using the work of an Auditor's Expert”

(i) **Types of Reports / opinions auditor can obtain from expert for Audit Evidence**

- During audit, auditor obtain in conjunction with client or independently, audit evidence in form of Reports, Opinions, Valuation, Statements of expert
- Auditor can obtain following types of reports or opinions or statements of expert for purpose of Audit evidence Or Expertise in field other than Accounting or Auditing are:
 - (a) Valuation of
 - Complex financial instruments
 - L& B
 - P & M
 - Jewelery
 - Works of Art
 - Antique
 - Intangible Assets
 - Asset acquired & liabilities assumed in business combinations
 - Assets that have been impaired
 - (b) Actuarial calculation of Liabilities associated with Insurance contracts or Employee benefit plans
 - (c) Estimation of Oil and Gas Reserves
 - (d) Valuation of environmental liabilities & Site clean-up costs
 - (e) Interpretation of contracts, laws & Regulations
 - (f) Analysis of Complex or Unusual tax compliance issues
- Expertise of expert required in actuarial calculation of liabilities associated with insurance contracts or employee benefit plans, etc.
- Auditor sole responsibility is for audit opinion expressed
- Not reduced by auditor's use of work of auditor expert

(ii) **Extent of Rely / Evaluating Adequacy of Auditor's expert's work**

- Auditor shall evaluate adequacy of auditor's expert work including:
 - Relevance & Reasonableness of expert's findings or conclusions and consistency with other audit evidence
 - If expert's work involves use of significant assumption & methods →Relevance & Reasonableness of those assumptions & methods
 - If expert's work involves use of source data →Relevance completeness & accuracy of source data.

STANDARDS ON AUDITING

“SA – 700” “Forming an Opinion and Reporting on Financial Statement”

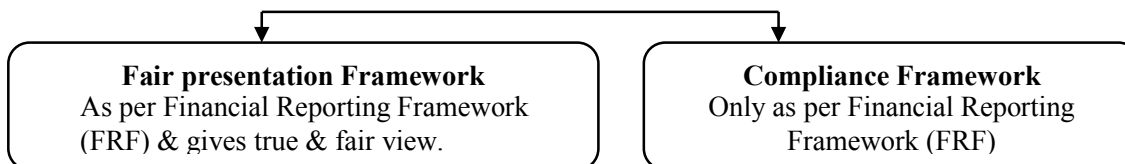
Object

- Form Opinion
- Express Opinion

Types of Financial Statement

- General Purpose Financial Statement (SA – 700)
- Special Purpose Financial Statement (SA – 800)

General purpose Financial Framework



(i) Basic Elements of Auditor’s Report

The auditor’s report includes the following basic elements:

1. Title: That clearly indicates that it is the report of an independent auditor.
2. Addressee: The auditor’s report shall be addressed as required by circumstances of engagement.
3. Auditor’s Opinion: The first section of the auditor’s report shall include the auditor’s opinion, and shall have the heading “Opinion.”
The Opinion section of the auditor’s report shall also:
 - (a) Identify the entity whose financial statements have been audited;
 - (b) State that the financial statements have been audited;
 - (c) Identify the title of each statement comprising the financial statements;
 - (d) Refer to the notes, including the summary of significant accounting policies; and
 - (e) Specify the date of, or period covered by, each financial statement
4. Basis for Opinion: The auditor’s report shall include a section, directly following the Opinion section, with the heading “Basis for Opinion”, that:
 - (a) States that the audit was conducted in accordance with Standards on Auditing;
 - (b) Refers to section of auditor’s report that describes auditor’s responsibilities under the SAs;
 - (c) Includes a statement that the auditor is independent of entity as per relevant ethical requirements. The statement shall refer to Code of Ethics issued by ICAI;
 - (d) States whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor’s opinion.
5. Going Concern: The auditor shall report in accordance with SA 570
6. Key Audit Matters: The auditor shall communicate key audit matters in the auditor’s report in accordance with SA 701.
7. Responsibilities for the Financial Statements: The auditor’s report shall include a section with a heading “Responsibilities of Management for the Financial Statements.”
8. Auditor’s Responsibilities for the Audit of the Financial Statements.
9. Location of the description of the auditor’s responsibilities
10. Other Reporting Responsibilities.
11. Signature of the Auditor.

STANDARDS ON AUDITING

“SA – 701” “Communicating Key Audit Matters in the Independent Auditor’s Report”

Meaning

Key Audit matter are those matters that in auditor’s professional judgment were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with TWCG.

Purpose

- To enhance the communicative value of the auditor’s report
- Provides additional information to intended users of FS
- Assist intended users in understanding areas of significant management judgment

Communicating key audit matters in the auditor’s report is not:

• A substitute for disclosures in FS that applicable FRF requires.
• A substitute for auditor expressing modified opinion as per SA 705.
• A substitute for reporting as per SA 570 when material uncertainty exists relating to events or conditions that may cast significant doubt on entity’s ability to continue as going concern.
• A separate opinion on individual matters.

Determining Key Audit Matters:

• Areas of assessed Risk of MM or significant risks as per SA 315.
• Significant auditor judgments relating to FS that involved significant management judgment including accounting estimates.
• Effect on audit of significant events or transactions occurred during the period.

STANDARDS ON AUDITING

“SA 705” “Modifications to the Opinion in the Independent Auditor’s Report”

(i) Modifications in Audit Report:

Auditor shall modify the opinion in the auditor’s report when:

- (a)** The auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
- (b)** The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.

If FS prepared as per FRF do not achieve fair presentation, the auditor shall discuss the matter with management and, shall determine whether it is necessary to modify the opinion

(ii) Types of Modification to the Auditor’s Opinion:

Modified opinion may be defined as a qualified opinion, an adverse opinion or a disclaimer of opinion.

- a)** Qualified Opinion: The auditor shall express a qualified opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.
- b)** Adverse Opinion: The auditor shall express an adverse opinion adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.
- c)** Disclaimer of Opinion: The auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements 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, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on FS

(iii) Resignation due to Management Imposing Limitation on the Scope of Audit:

- SA 705 provides the consequence of an inability to obtain sufficient appropriate audit evidence due to a management – imposed limitation after the auditor has accepted the engagement.
- The practicability of withdrawn from the audit may depend upon the stage of completion of the engagement at the time that management imposes the scope limitation.
- When the auditor concludes that withdrawn from the audit is necessary because of a scope limitation, there may be a professional, regulatory or legal requirement for the auditor to communicate matters relating to the resignation from the engagement to regulators or the entity’s owners.
- Section 140(2) of Companies Act

STANDARDS ON AUDITING

“SA 706” “Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report”

(i) Emphasis of Matter Paragraph in Audit Reports:

An auditor’s report can be modified for matters that do not affect the auditor’s opinion. An “emphasis of matter” paragraph is such a type of modification in an audit report. In certain circumstances, such a paragraph is added to highlight a matter affecting the financial statements which is included in a note to the financial statements that more extensively discusses the matter. The addition of such a paragraph does not affect the auditor’s opinion.

SA 706 deals with additional communication in the auditor’s report when the auditor considers it necessary to draw users’ attention to a matter presented or disclosed in the financial statements that, in the auditor’s judgment, is of such importance that it is fundamental to users’ understanding of the financial statements. Such a paragraph shall refer only to information presented or disclosed in the financial statements.

Specific requirements for the auditor to include Emphasis of Matter paragraphs in the auditor’s report in certain circumstances. These circumstances include:

- When a financial reporting framework prescribed by law or regulation would be unacceptable but for the fact that it is prescribed by law or regulation.
To alert users that the financial statements are prepared in accordance with a special purpose framework.
- When facts become known to the auditor after the date of the auditor’s report and the auditor provides a new or amended auditor’s report (i.e., subsequent events).

Examples of circumstances where the auditor may consider it necessary to include an Emphasis of Matter paragraph are:

- An uncertainty relating to the future outcome of exceptional litigation or regulatory action.
- A significant subsequent event that occurs between the date of the financial statements and the date of the auditor’s report.¹
- Early application (where permitted) of a new accounting standard that has a material effect on the financial statements.
- A major catastrophe that has had, or continues to have, a significant effect on the entity’s financial position.

However, a widespread use of Emphasis of Matter paragraphs may diminish the effectiveness of the auditor’s communication about such matters.

STANDARDS ON AUDITING

“SA 710” “Comparative Information - Corresponding Figures & Comparative Financial Statements”

Deals with auditor's responsibility regarding comparative information in an audit of FS

(i) Audit procedures/Auditor's responsibility regarding Comparatives / Correspondive Figures

- Determine whether FS include comparative information as per FRF & is appropriately classified. For this, Auditor shall:
 - (a) Ensure comparative information agrees with the amt. & other disclosure presented in prior period
 - (b) Accounting policies applied are consistent with those applied in current period, or if there is any change in accounting policy → Same properly disclosed & presented
- If Auditor aware of misstatement in Comparative Information → Perform additional audit procedures to obtain S&A evidence. Auditor shall also follow requirements of SA 560
- As per SA 580, Auditor shall obtain WR for all period. Also obtain specific WR regarding any prior period

(ii) Auditor's responsibilities in cases where audit report for an earlier year is qualified

- When auditor's report on prior period included → Qualified/Adverse/Disclaimer of opinion and such matter is resolved/accounted/disclosed as per FRF, then auditor opinion on current period need not refer previous modification.
- If unresolved, modify opinion on current period FS, & in basis for modification paragraph Auditor shall:
 - Refer both current period figure & Corresponding figures → When effects on current period figure material
 - In other cases, Explain opinion modified because effects of unresolved matters on comparability

(iii) Corresponding Figures

Corresponding Figure is a Comparative Information

- Where amount & other disclosures for preceding period are included in current period FS
- Not presented as complete FS
- Integral part of current period FS
- Intended to be read only in relation to current period figures

STANDARDS ON AUDITING

“SA 720” “The Auditor’s Responsibility in Relation to Other Information”

Deals with auditor’s responsibility relating to other information whether financial or non-financial included in entity’s annual report.

Objectives of the Auditor

- To consider whether there is material inconsistency between other information and FS.
- To consider whether there is material inconsistency between other information and auditor’s knowledge.
- To respond appropriately to material inconsistency.
- To report material inconsistency.

STANDARDS ON AUDITING

Meaning of Abbreviations used in the notes:-

FRF	Financial Reporting Framework
FS	Financial Statements
TCWG	Those Charged With Governance
MM	Material Misstatement
ACPD	Accounting, Classification, Presentation and Disclosure
CAD	Classes of transactions, Account Balances and Disclosures
S&A	Sufficient & Appropriate
WR	Written Representation
AE	Accounting Estimates
ICS	Internal Control System
NTE	Nature, Timing and Extent
Mgt.	Management
SAP	Substantive Analytical Procedures
OB	Opening Balances
OVEP	Ownership, Valuation, Existence and Presentation
IC	Internal Control
UE	User Entity
SO	Service Organisation
SSO	Sub-Service Organisation
JA	Joint Auditor