RECENT CHANGES IN STANDARDS ON AUDITING

SA 230 (Revised) - AUDIT DOCUMENTATION (w.e.f. 1st april' 2009)

Scope of this SA	Other SA and Laws or regulations may establish additional documentation requirements.
Nature and Purposes of Audit Documentation	Audit documentation provides: (a) Evidence of the auditor's basis for audit report; and (b) Evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements. Audit documentation serves a number of additional purposes, including the following: 1. Assisting the engagement team to plan and perform the audit. 2. Assisting members of the engagement team responsible for supervision to direct and supervise the audit work. 3. Enabling the engagement team to be accountable for its work. 4. Retaining a record of matters of continuing significance to future audits. 5. Enabling the conduct of quality control reviews and inspections. 6. Enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements
Definitions	(a) ***Audit documentation*** – The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached (terms such as "working papers" or "workpapers" are also sometimes used). (b) ***Audit file*** – One or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement. (c) ***Experienced*** auditor – An individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of: (i) Audit processes; (ii) SAs and applicable legal and regulatory requirements; (iii) The business environment in which the entity operates; and (iv) Auditing and financial reporting issues.

Documentation of the Audit Procedures Performed and Audit Evidence Obtained	***Form, Content and Extent of Audit Documentation***	▪ The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor to understand: (a) The nature, timing, and extent of the audit procedures; (b) The results of the audit procedures performed, and the audit evidence obtained; and (c) Significant matters arising during the audit and the conclusions reached thereon. ▪ Auditor shall also record: (a) The identifying characteristics of the specific items or matters tested; (b) Who ***performed*** the audit work and the date such work was completed; and (c) Who ***reviewed*** the audit work performed and the date and extent of such review. ▪ If the auditor identified inconsistent information, the auditor shall document how the auditor addressed the inconsistency.
	Departure from a Relevant Requirement	If, in exceptional circumstances, the departs from SA, the auditor shall document the reasons for the departure and alternative procedures performed.
	Matters Arising after the Date of the Auditor's Report	If, in exceptional circumstances, the auditor performs new or additional audit procedures or draws new conclusions after the date of the auditor's report, the auditor shall document: (a) The circumstances encountered; (b) The new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report; and (c) When and by whom the changes to audit documentation were made and reviewed.
	Assembly of the Final Audit File	▪ The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report. ▪ After the assembly, the auditor shall not delete audit documentation before the end of its retention period.

SA 240 (REVISED) - THE AUDITOR'S RESPONSIBILITIES RELATING TO RAUD IN AN AUDIT OF FINANCIAL STATEMENTS (W.E.F. 1ST APRIL 2009)

Scope of this SA	Specifically, it expands on how SA 315 and SA 330 are to be applied in relation to risks of material misstatement due to fraud.
Characteristics of Fraud	▪ Misstatements in the financial statements can arise from either fraud(intentional) or error(unintentional). ▪ The auditor is concerned with fraud that causes a material misstatement in the financial statements.
Responsibility for the Prevention and Detection of Fraud	▪ The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. ▪ Management and those charged with governance, should place a strong emphasis on fraud prevention. ▪ This involves a commitment to creating a culture of honesty and ethical behaviour.
Responsibilities of the Auditor	▪ An auditor is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement. ▪ As described in SA 200, due to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements will not be detected, even though the audit is properly planned and performed in accordance with the SAs. ▪ The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error. This is because fraud may involve carefully organized schemes designed to conceal it ▪ It is difficult for the auditor to determine whether misstatements in judgment areas such as accounting estimates are caused by fraud or error. ▪ The risk of the auditor not detecting a material misstatement resulting from management fraud is greater than for employee fraud as management can manipulate accounting records, ▪ The auditor is responsible form maintaining an attitude of professional skepticism throughout the audit.
Objectives	The objectives of the auditor are: ▪ To identify and assess the risks of material misstatement in the financial statements due to fraud; ▪ To obtain sufficient appropriate audit evidence about the assessed risks of material misstatement due to fraud,; and ▪ To respond appropriately to identified or suspected fraud.
Definitions	(a) Fraud - An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

		(b) Fraud risk factors - Events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.
Professional Skepticism		▪ The auditor shall maintain an attitude of professional skepticism throughout the audit. ▪ HE should recognize the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance ▪ Unless doubtful situations are present, the auditor may accept records and documents as genuine. ▪ If conditions cause the auditor to believe that a document may not be authentic or that terms in a document have been modified, the auditor shall investigate further. ▪ Where responses to inquiries of management or those charged with governance are inconsistent, the auditor shall investigate the inconsistencies.
Discussion Among the Engagement Team		▪ They should discuss how and where the entity's financial statements may be susceptible to material misstatement due to fraud, including how fraud might occur. ▪ The discussion shall occur notwithstanding the engagement team members' beliefs that management and those charged with governance are honest and have integrity.
Risk Assessment Procedures and Related Activities	***Enquiring Management and Others within the Entity***	The auditor shall make inquiries of management regarding: (a) Management's assessment of the risk of material misstatement due to fraud; (b) Management's process for identifying & responding to the risks of fraud in the entity, including any specific risks of fraud ; (c) Management's communication, if any, to those charged with governance; and (d) Management's communication, if any, to employees regarding its views on business practices and ethical behaviour. For those entities that have an internal audit function, the auditor shall make inquiries of internal auditor.
	Enquiring Those Charged with Governance	▪ He shall obtain an understanding of how TCWG supervise management's processes . ▪ The auditor shall ask TCWG whether they have knowledge of any fraud affecting the entity.
	Unusual or Unexpected Relationships Identified	The auditor shall evaluate whether unusual or unexpected relationships identified in performing analytical procedures, may indicate risks of material misstatement due to fraud.
	Other Information	▪ The auditor shall consider whether other information obtained by the auditor indicates risks of material misstatement due to fraud.

<table>
<tr><td></td><td>Evaluation of Fraud Risk Factors</td><td>▪ The auditor shall evaluate whether the information obtained, indicates that one or more fraud risk factors are present.
▪ However, fraud risk factors may not necessarily indicate the existence of fraud.</td></tr>
<tr><td>Identification and Assessment of the Risks of Material Misstatement Due to Fraud</td><td colspan="2">▪ In accordance with SA 315, the auditor shall identify and assess the risks of material misstatement due to fraud at the financial statement level, and at the assertion level for classes of transactions, account balances and disclosures.
▪ The auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.
▪ The auditor shall obtain an understanding of the entity’s related controls, including control activities, relevant to such risks.</td></tr>
<tr><td rowspan="4">Responses to the Assessed Risks of Material Misstatement Due to Fraud</td><td colspan="2">In accordance with SA 330, the auditor shall determine overall responses to address the assessed risks of material misstatement due to fraud at the financial statement level.</td></tr>
<tr><td>Overall Responses</td><td>The auditor shall:
(a) Assign and supervise personnel as per their capability;
(b) Evaluate whether accounting policies adopted by the entity indicate fraudulent financial reporting resulting from management’s effort to manage earnings; and
(c) Incorporate surprise element in the selection of the NTE of audit procedures.</td></tr>
<tr><td>Response to Assessed Risks of Material Misstatement Due to Fraud at the Assertion Level</td><td>The auditor shall design and perform further audit procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement due to fraud at the assertion level.</td></tr>
<tr><td>Responses to Risks Related to Management Override of Controls</td><td>▪ Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls.
▪ It is a risk of material misstatement due to fraud and thus a significant risk.
▪ The auditor shall determine whether the auditor needs to perform extra audit procedures.</td></tr>
<tr><td>Evaluation of Audit Evidence</td><td colspan="2">▪ The auditor shall evaluate whether analytical procedures are consistent with the auditor’s understanding of the entity and its environment
▪ When the auditor identifies a misstatement, the auditor shall evaluate whether such a misstatement is indicative of fraud.
▪ If there is such an indication, the auditor shall evaluate the implications of the misstatement in relation to other aspects of the audit, particularly the reliability of management representations.
▪ If the auditor identifies a misstatement, the auditor shall re-evaluate the assessment of the risks of material misstatement due to fraud and its resulting impact on the nature, timing and extent of audit procedures .</td></tr>
</table>

	▪ When the auditor confirms that, or is unable to conclude whether, the financial statements are materially misstated as a result of fraud the auditor shall evaluate the implications for the audit.
Auditor Unable to Continue the Engagement	The auditor shall: (a) Determine the professional and legal responsibilities applicable in the circumstances, including whether there is a requirement for the auditor to report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities; (b) Consider whether it is appropriate to withdraw from the engagement; and (c) If the auditor withdraws: (i) Discuss with the appropriate level of management and those charged with governance, the auditor's withdrawal from the engagement and the reasons for the withdrawal; and (ii) Determine whether there is a professional or legal requirement to report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities, the auditor's withdrawal from the engagement and the reasons for the withdrawal.
Management Representations	(a) Its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; (b) It has disclosed to the auditor the results of its assessment of the risk of fraud; (c) It has disclosed to the auditor its knowledge of fraud or suspected fraud affecting the entity involving: (i) Management; (ii) Employees who have significant roles in internal control; or (iii) Others; and (d) It has disclosed to the auditor its knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements.
Communications to Management and TCWG	▪ If the auditor has identified a fraud or has indication of fraud, the auditor shall communicate these matters on a timely basis to the appropriate level of management. ▪ The auditor shall communicate with those charged with governance any other matters related to fraud that are, in the auditor's judgment, relevant to their responsibilities.
Communications to Regulatory Authorities	The auditor's legal responsibilities may override the duty of confidentiality in some circumstances.
Documentation	▪ He shall maintain documentation as per SA 315 and 330. ▪ The auditor shall document communications about fraud made to management, those charged with governance, regulators and others. ▪ When the auditor has concluded that the presumption that there is a risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement, the auditor shall document the reasons for that conclusion.

SA 250 (Revised) CONSIDERATION OF LAWS AND REGULATIONS IN AN AUDIT OF FINANCIAL STATEMENTS (w.e.f. 1st april'2009)

Effect of Laws and Regulations	▪ The provisions of some laws or regulations have a direct effect on the financial statements in that they determine the reported amounts and disclosures in an entity's financial statements. ▪ Other laws or regulations are to be complied with by management but do not have a direct effect on an entity's financial statements. ▪ Some entities operate in heavily regulated industries (such as banks and chemical companies). ▪ Non-compliance with laws and regulations may result in fines, litigation or other consequences for the entity that may have a material effect on the financial statements.
Responsibility of Management for Compliance with Laws and Regulations	It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements.
Responsibility of the Auditor	▪ The requirements in this SA are designed to assist the auditor in identifying material misstatement of the financial statements due to non-compliance with laws and regulations. ▪ However, the auditor is not responsible for preventing non compliance and cannot be expected to detect non-compliance with all laws and regulations. ▪ In the context of laws and regulations, the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater. ▪ This SA distinguishes the auditor's responsibilities in relation to compliance with two different categories of laws and regulations as follows: (a) The provisions of those laws and regulations having a direct effect on the determination of material amounts and disclosures in the financial statements such as tax and labour laws; and (b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operating aspects of the business. ▪ In this SA, differing requirements are specified for each of the above categories of laws and regulations. For the category referred to in paragraph 6(a), the auditor's responsibility is to obtain sufficient appropriate audit evidence about compliance with the provisions of those laws and regulations. For the category referred to in paragraph 6(b), the auditor's responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Definition	***Non-compliance*** – Acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations.	
The Auditor's Consideration of Compliance with Laws and Regulations	▪ The auditor shall obtain a general understanding of: (a) The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates; and (b) How the entity is complying with that framework. ▪ The auditor shall obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements. ▪ The auditor shall perform the following audit procedures to identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements: (a) Inquiring of management; and (b) Inspecting correspondence, if any, with the relevant licensing or regulatory authorities. ▪ During the audit, the auditor shall remain alert to the possibility that other audit procedures applied may bring instances of non-compliance or suspected non-compliance with laws and regulations to the auditor's attention. ▪ Obtain written representation that all known instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to the auditor.	
Audit Procedures When Non-Compliance is Identified or Suspected	▪ If the auditor becomes aware of information concerning an instance of non compliance or suspected non-compliance with laws and regulations, the auditor shall obtain: (a) An understanding of the nature of the act and the circumstances in which it has occurred; and (b) Further information to evaluate the possible effect on the financial statements. ▪ If the auditor suspects there may be non-compliance, the auditor shall discuss the matter with management and those charged with governance. ▪ If management or those charged with governance do not provide sufficient information the auditor shall consider the need to obtain legal advice. ▪ If sufficient information about suspected non-compliance cannot be obtained, the auditor shall evaluate the effect of the lack of sufficient appropriate audit evidence on the auditor's opinion.	
Reporting of Identified or Suspected Non-Compliance	***Reporting Non-Compliance to Those Charged with Governance***	▪ Unless all of those charged with governance are involved in management of the entity, the auditor shall communicate with those charged with governance matters involving non compliance with laws and regulations that come to the auditor's attention. ▪ If, in the auditor's judgment, the non-compliance is believed to be intentional and material, the

		auditor shall communicate the matter to those charged with governance as soon as practicable. ▪ If the auditor suspects that management or those charged with governance are involved in non-compliance, the auditor shall communicate the matter to the next higher level of authority at the entity, if it exists, such as an audit committee or supervisory board. Where no higher authority exists, or if the auditor believes that the communication may not be acted upon, the auditor shall consider the need to obtain legal advice.
	Reporting Non-Compliance in the Auditor's Report on the Financial Statements	▪ If the auditor concludes that the non-compliance has a material effect on the financial statements, and has not been adequately reflected in the financial statements, the auditor shall, express a qualified or adverse opinion on the financial statements. ▪ If the auditor is precluded by management or those charged with governance from obtaining sufficient appropriate audit evidence, the auditor shall express a qualified opinion or disclaim an opinion. ▪ If the auditor is unable to determine whether non-compliance has occurred because of limitations imposed by the circumstances rather than by management or those charged with governance, the auditor shall evaluate the effect on the auditor's opinion.
	Reporting Non-Compliance to Regulatory and Enforcement Authorities	If the auditor has identified or suspects non-compliance with laws and regulations, the auditor shall determine whether the auditor has a responsibility to report the identified or suspected non-compliance to parties outside the entity.
	Documentation	The auditor shall document identified or suspected non-compliance with laws and regulations and the results of discussion with management and those charged with governance and other parties outside the entity.

SA 260 (Revised) COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE (w.e.f. 1st april'2009)

<table>
<tr><td>Scope of this SA</td><td colspan="2">▪ This SA provides an overall framework for the auditor's communication with those charged with governance, and identifies some specific matters to be communicated with them.
▪ Additional matters to be communicated, which complement the requirements of this SA, are identified in other SAs.
▪ Further matters, not required by this or other SAs, may be required to be communicated by laws or regulations</td></tr>
<tr><td>Definitions</td><td colspan="2">(a) Those charged with governance – The person(s) or organisation(s) (e.g., a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity.
(b) Management – The person(s) with executive responsibility for the conduct of the entity's operations.</td></tr>
<tr><td rowspan="3">Those Charged with Governance</td><td colspan="2">The auditor shall determine the appropriate person(s) within the entity's governance structure with whom to communicate.</td></tr>
<tr><td>Communication with a Subgroup of Those Charged with Governance</td><td>When the auditor communicates with a subgroup of those charged with governance, for example, an audit committee, or an individual, the auditor shall determine whether the auditor also needs to communicate with the governing body.</td></tr>
<tr><td>When All of Those Charged with Governance are Involved in Managing the Entity</td><td>In some cases, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters required by this SA are communicated with person(s) with management responsibilities, and those person(s) also have governance responsibilities, the matters need not be communicated again with those same person(s) in their governance role.</td></tr>
<tr><td rowspan="2">Matters to be Communicated</td><td>The Auditor's Responsibilities in Relation to the Financial Statement Audit</td><td>The auditor shall communicate with those charged with governance the responsibilities of the auditor in relation to the financial statement audit, including that:
(a) The auditor is responsible for forming and expressing an opinion on the financial statements; and
(b) The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</td></tr>
<tr><td>Planned Scope and Timing of the Audit</td><td>The auditor shall communicate with those charged with governance an overview of the planned scope and timing of the audit.</td></tr>
</table>

	Significant Findings from the Audit	The auditor shall communicate with those charged with governance: (a) The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. (b) Significant difficulties, if any, encountered during the audit; (c) Unless all of those charged with governance are involved in managing the entity: (i) Material weaknesses, if any, in the design, implementation or operating effectiveness of internal control that have come to the auditor's attention and have been communicated to management; (ii) Significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management; and (iii) Written representations the auditor is requesting; and (d) Other matters, if any, arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
	Auditor Independence	In the case of listed entities, the auditor shall communicate with those charged with governance: (a) A statement that the engagement team and others in the firm as appropriate, have complied with relevant ethical requirements regarding independence; and (b) (i) All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence.; and (ii) The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.
The Communication Process	***Establishing the Communication Process***	The auditor shall communicate with those charged with governance the form, timing and expected general content of communications.

	Forms of Communication	▪ The auditor shall communicate in writing with those charged with governance regarding significant matters. ▪ The auditor shall communicate in writing with those charged with governance regarding auditor independence.
	Timing of Communications	The auditor shall communicate with those charged with governance on a timely basis.
	Adequacy of the Communication Process	The auditor shall evaluate whether the two-way communication between the auditor and those charged with governance has been adequate for the purpose of the audit. If it has not, the auditor shall evaluate the effect on the auditor's assessment of the risks of material misstatement .
Documentation	▪ Where matters required by this SA to be communicated are communicated orally, the auditor shall document them, and when and to whom they were communicated. ▪ Where matters have been communicated in writing, the auditor shall retain a copy of the communication as part of the audit documentation.	

SA 300(REVISED) - PLANNING AN AUDIT OF FINANCIAL STATEMENTS *(w.e.f. 1st April 2008)*

Scope of this SA	It deals with the auditor's responsibility to plan an audit of financial statements. This SA is framed in the context of recurring audits. Additional considerations in initial audit engagements are separately identified.
Involvement of Key Engagement Team Members	The engagement partner and other key members of the engagement team shall be involved in planning the audit.
Preliminary Engagement Activities	The auditor shall undertake the following activities at the beginning of the current audit engagement: (a) Performing procedures required by SA 220 regarding the continuance of the client relationship; (b) Evaluating compliance with ethical requirements, including independence, as required by SA 220; and (c) Establishing an understanding of the terms of the engagement, as required by SA 210.
Planning Activities	▪ The auditor shall establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the

	audit plan. ▪ In establishing the overall audit strategy, the auditor shall: (a) Identify the characteristics of the engagement that define its scope; (b) Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required; (c) Consider the factors that are significant in directing the engagement team's efforts; (d) Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant; and (e) Ascertain the NTE of procedures. ▪ The auditor shall develop an audit plan that shall include a description of: (a) The nature, timing and extent of planned risk assessment procedures, as determined under SA 315. (b) The nature, timing and extent of planned further audit procedures at the assertion level, as determined under SA 330 . (c) Other planned audit procedures that are required to be carried out so that the engagement complies with SAs. ▪ The auditor shall update and change the overall audit strategy and the audit plan as necessary during the course of the audit ▪ The auditor shall plan the nature, timing and extent of direction and supervision of engagement team members and the review of their work.
Documentation	The auditor shall document: (a) The overall audit strategy; (b) The audit plan; and (c) Any significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes.
Additional Considerations in Initial Audit Engagements	The auditor shall undertake the following activities prior to starting an initial audit: (a) Performing procedures required by SA 220 regarding the acceptance of the client relationship and the specific audit engagement; and (b) Communicating with the predecessor auditor, where there has been a change of auditors, in compliance with relevant ethical requirements.

SA 315 - IDENTIFYING AND ASSESSING THE RISK OF MATERIAL MISSTATEMENT THROUGH UNDERSTANDING THE ENTITY AND ITS ENVIRONMENT (w.e.f. April 1, 2008)

Objective	▪ The auditor should identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels. ▪ He should understand the entity and its environment, including the entity's internal control. ▪ Thus, he can design and implement responses to the assessed risks of material misstatement. ▪ This will help the auditor to reduce the risk of material misstatement to an

	acceptably low level.	
Definitions	***Assertions***	Representations by management, explicit or otherwise, embodied in the financial statements.
	Business risk	A risk resulting from significant conditions, events, circumstances, actions or inactions that could adversely affect an entity's ability to achieve its objectives.
	Internal control	→ The process designed, implemented and maintained → by those charged with governance, management and other personnel → to provide reasonable assurance about the achievement of an entity's objectives → with regard to reliability of financial reporting, effectiveness and efficiency of operations, safeguarding of assets, and compliance with applicable laws and regulations.
	Risk assessment procedures	The audit procedures performed to obtain an understanding of the entity and its environment, including the entity's internal control, to identify and assess the risks of material misstatement at the financial statement and assertion levels.
	Significant risk	An identified and assessed risk of material misstatement that requires special audit consideration.
	Material Weakness	A weakness in internal control that could have a material effect on the financial statements.
Risk Assessment Procedures and Related Activities	▪ Risk assessment procedures by themselves, however, do not provide sufficient appropriate audit evidence on which to base the audit opinion. ▪ The risk assessment procedures shall include the following: (a) Inquiries of management, and of others within the entity (b) Analytical procedures. (c) Observation and inspection. The auditor shall consider whether information obtained from the auditor's client acceptance or continuance process is relevant to identifying risks of material misstatement. ▪ Where engagement partner has performed other engagements for the entity, consider whether information obtained is relevant to identifying risks of material misstatement. ▪ If auditor uses his previous experience, consider if changes have occurred since the previous audit . ▪ The engagement partner and other key engagement team members shall discuss the susceptibility of the entity's financial statements to material misstatement.	

<table>
<tr><td rowspan="3">The Required Understanding of the Entity and Its Environment,

Including the Entity's Internal Control</td><td>The Entity and Its Environment</td><td>The auditor shall obtain an understanding of the following:
(a) Relevant industry, regulatory, and other external factors
(b) The nature of the entity, including:
(i) its operations;
(ii) its ownership and governance structures;
(iii) the types of investments; and
(iv) the way that the entity is structured and how it is financed;
(c) The entity's selection and application of accounting policies, including the reasons for changes thereto.
(d) The entity's objectives and strategies, and those related business risks that may result in risks of material misstatement.
(e) The measurement and review of the entity's financial performance.</td></tr>
<tr><td>The Entity's Internal Control</td><td>▪ The auditor shall obtain an understanding of internal control relevant to the audit.
▪ Although most controls relevant to the audit are likely to relate to financial reporting, not all controls that relate to financial reporting are relevant to the audit.</td></tr>
<tr><td>Nature and Extent of the Understanding of Relevant Controls</td><td>He'll evaluate the design of controls and determine whether they have been implemented.</td></tr>
</table>

	Components of Internal Control	**Control environment** The auditor shall evaluate whether: (a) Management, with those charged with governance, has created and maintained a culture of honesty and ethical behavior; and (b) The strengths in the control environment provide an appropriate foundation for the other components of internal control. **The entity's risk assessment process** ▪ Consider if entity has a process for: (a) Identifying business risks relevant to financial reporting objectives; (b) Estimating the significance of the risks; (c) Assessing the likelihood of their occurrence; and (d) Deciding about actions to address those risks. ▪ If the entity has established entity's risk assessment process, the auditor shall obtain an understanding of it, and the results thereof. ▪ If the entity has not established such a process or has an ad hoc process, the auditor shall discuss with management whether business risks relevant to financial reporting objectives have been identified and how they have been addressed. **The information system, including the related business processes, relevant to financial reporting, and communication** The auditor shall obtain an understanding of the following areas: (a) The classes of transactions ; (b) The procedures, within both information technology (IT) and manual systems, by which those transactions are initiated, recorded, processed and reported in the financial statements; (c) The related accounting records. (d) How the information system captures events and conditions, other than transactions, that are significant to the financial statements; (e) The financial reporting process, (f) Controls surrounding journal entries. The auditor shall obtain an understanding of: (a) Communications between management and those charged with governance; and (b) External communications, such as those with regulatory authorities.

<table>
<tr><td></td><td></td><td>Control activities relevant to the audit
▪ The auditor shall obtain an understanding of control to assess the risks of material misstatement at the assertion level and design further audit procedures.
▪ In understanding the entity’s control activities, the auditor shall obtain an understanding of how the entity has responded to risks arising from IT.
Monitoring of controls
▪ Obtain an understanding of the :
(a) activities that the entity uses to monitor internal control over financial reporting , and
(b) sources of the information used in the entity’s monitoring activities and their reliability.</td></tr>
<tr><td rowspan="4">Identifying and Assessing the Risks of Material Misstatement</td><td colspan="2">The auditor shall identify and assess the risks of material misstatement at:
(a) The financial statement level; and
(b) The assertion level for classes of transactions, account balances, and disclosures;
to provide a basis for designing and performing further audit procedures.
For this purpose, the auditor shall:
(a) Identify risks,
(b) Assess and evaluate the identified risks,
(c) Relate the identified risks to what can go wrong at the assertion level,
(d) Consider the likelihood of misstatement.</td></tr>
<tr><td>Risks that Require Special Audit Consideration</td><td>In exercising judgment as to which risks are significant risks, the auditor shall consider the following:
(a) Whether the risk is a risk of fraud;
(b) Whether the risk is related to recent significant economic, accounting, or other developments;
(c) The complexity of transactions;
(d) Whether the risk involves significant transactions with related parties;
(e) The degree of subjectivity in the measurement of financial information; and
(f) Whether the risk involves significant unusual transactions.</td></tr>
<tr><td>Risks for Which Substantive Procedures Alone Do Not Provide Sufficient Appropriate Audit Evidence</td><td>Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity’s controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.</td></tr>
<tr><td>Revision of Risk</td><td>The auditor’s assessment of the risks of material</td></tr>
</table>

	Assessment	misstatement at the assertion level may change during the course of the audit as additional audit evidence is obtained. The auditor shall revise the assessment and modify the further planned audit procedures accordingly.
Material Weakness in Internal Control	▪ The auditor shall evaluate whether he identified a material weakness in the design, implementation or maintenance of internal control. ▪ The auditor shall communicate material weaknesses in internal control identified during the audit on a timely basis to management at an appropriate level of responsibility, and, as required by SA 260	
Documentation	The auditor shall document: (a) The discussion among the engagement team; (b) Key elements of the understanding obtained regarding each of the aspects of the entity and its environment; (c) The identified and assessed risks of material misstatement at the financial statement level and at the assertion level; and (d) The risks identified, and related controls.	

SA 330- THE AUDITOR'S RESPONSES TO ASSESSED RISKS (w.e.f. April 1, 2008)

Definitions	(a) Substantive procedure – An audit procedure designed to detect material misstatements at the assertion level. Substantive procedures comprise: (i) Tests of details (of classes of transactions, account balances, and disclosures), and (ii) Substantive analytical procedures. (b) Test of controls – An audit procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level.	
Overall Responses	The auditor shall design and implement overall responses to address the assessed risks of material misstatement at the financial statement level.	
Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	▪ The auditor shall design and perform further audit procedures whose nature, timing and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level. ▪ In designing the further audit procedures to be performed, the auditor shall: (a) Consider the likelihood of material misstatement due to the particular characteristics of the relevant class of transactions, account balance, or disclosure (i.e., the inherent risk); and Whether the risk assessment takes into account the relevant controls (i.e., the control risk) (b) Obtain more persuasive audit evidence the higher the auditor's assessment of risk.	
	Tests of Controls	The auditor shall design and perform tests of controls when: (a) He expects that the controls are operating effectively ,or (b) Substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level.

	Timing of Tests of Controls	The auditor shall test controls for the particular time, or throughout the period.
	Using audit evidence obtained during an interim period	When the auditor obtains audit evidence about the operating effectiveness of controls during an interim period, the auditor shall: (a) consider significant changes to those controls; and (b) Determine the additional audit evidence to be obtained for the remaining period.
	Using audit evidence obtained in previous audits	He shall establish the continuing relevance of that evidence by obtaining audit evidence about whether significant changes in those controls have occurred subsequent to the previous audit. (a) If there have been changes, the auditor shall test the controls in the current audit. (b) If there have not been such changes, the auditor shall test the controls at least once in every third audit, and shall test some controls each audit.
	Controls over significant risks	When the auditor plans to rely on controls over a significant risk, the auditor shall test those controls in the current period.
	Evaluating the Operating Effectiveness of Controls	▪ Auditor should consider whether misstatements that have been detected indicate that controls are not operating effectively. ▪ Even if there are no identified misstatements, controls may not be effective. ▪ The auditor shall communicate material weaknesses in internal control identified during the audit on a timely basis to management at an appropriate level and TCWG
Substantive Procedures	▪ Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure. ▪ ***Substantive Procedures Related to the Financial Statement Closing Process*** The auditor's substantive procedures shall include (a) Agreeing or reconciling the financial statements with the underlying accounting records; and (b) Examining material journal entries and other adjustments made during the course of preparing the financial statements. ▪ ***Substantive Procedures Responsive to Significant Risks*** When the auditor has determined a significant risk, the auditor shall perform substantive procedures that are specifically responsive to that risk. ▪ ***Timing of Substantive Procedures*** When substantive procedures are performed at an interim date, the auditor shall cover the remaining period.	
Adequacy of	The auditor shall perform audit procedures to evaluate whether the overall	

Presentation and Disclosure	presentation of the financial statements, including the related disclosures, is in accordance with the applicable financial reporting framework.
Evaluating the Sufficiency and Appropriateness of Audit Evidence	▪ The auditor shall conclude whether sufficient appropriate audit evidence has been obtained. In forming an opinion, the auditor shall consider all relevant audit evidence. ▪ If the auditor has not obtained sufficient appropriate audit evidence as to a material financial statement assertion, try to obtain further audit evidence. If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall express a qualified opinion or a disclaimer of opinion.
Documentation	▪ The auditor shall document: (a) The overall responses to address the assessed risks of material misstatement at the financial statement level; (b) The linkage of those procedures with the assessed risks at the assertion level; and (c) The results of the audit procedures. ▪ If he uses audit evidence about the operating effectiveness of controls obtained in previous audits, the auditor shall document the conclusions reached about relying on such controls that were tested in a previous audit. ▪ The auditors' documentation shall demonstrate that the financial statements agree or reconcile with the underlying accounting records.

SA 530 (REVISED) AUDIT SAMPLING (W.E.F. 1ST APRIL,2009)

Scope of this SA	It deals with the auditor's use of statistical and non-statistical sampling when designing and selecting the audit sample, performing tests of controls and tests of details, and evaluating the results from the sample.
Objective	The objective of the auditor when using audit sampling is to provide a reasonable basis for the auditor to draw conclusions about the population.
Definitions	**(a) Audit sampling (sampling) –** The application of audit procedures to less than 100% of items within a population such that all sampling units have a chance of selection in order to draw conclusions about the entire population. **(b) Population –** The entire set of data from which a sample is selected and about which the auditor wishes to draw conclusions. **(c) Sampling risk –** The risk that the auditor's conclusion based on a sample may be different from the conclusion if the entire population were subjected to the same audit procedure. Sampling risk can lead to two types of erroneous conclusions: (i) In the case of a test of controls, that controls are more effective than they actually are, or in the case of a test of details, that a material misstatement does not exist when in fact it does. The auditor is primarily concerned with this type of erroneous conclusion because it affects audit **effectiveness and** is more likely to lead to an inappropriate audit opinion. (ii) In the case of a test of controls, that controls are less **effective than** they actually are, or in the case of a test of details, that a material

	misstatement exists when in fact it does not. This type of erroneous conclusion affects audit **efficiency** as it would usually lead to additional work to establish that initial conclusions were incorrect. **(d) Non-sampling risk –** The risk that the auditor reaches an erroneous conclusion for any reason not related to sampling risk. **(e) Anomaly** – A misstatement or deviation that is demonstrably not representative of misstatements or deviations in a population. **(f) Sampling unit –** The individual items constituting a population. **(g) Statistical sampling** – An approach to sampling that has the following characteristics: (i) Random selection of the sample items; and (ii) The use of probability theory to evaluate sample results, including measurement of sampling risk. A sampling approach that does not have characteristics (i) or (ii) is considered non-statistical sampling. **(h) Stratification –** The process of dividing a population into sub-populations, each of which is a group of sampling units which have similar characteristics (often monetary value). **(i) Tolerable misstatement –** A monetary amount set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the monetary amount set by the auditor is not exceeded by the actual misstatement in the population. **(j) Tolerable rate of deviation –** A rate of deviation from prescribed internal control procedures set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the rate of deviation set by the auditor is not exceeded by the actual rate of deviation in the population.
Sample Design, Size and Selection of Items for Testing	▪ The auditor shall determine a sample size sufficient to reduce sampling risk to an acceptably low level. ▪ The auditor shall select items for the sample in such a way that each sampling unit in the population has a chance of selection.
Performing Audit Procedures	▪ The auditor shall perform audit procedures, appropriate to the purpose, on each item selected. ▪ If the auditor is unable to apply the designed audit procedures, or suitable alternative procedures, to a selected item, the auditor shall treat that item as a deviation or a misstatement.
Nature and Cause of Deviations and Misstatements	▪ The auditor shall investigate the nature and cause of any deviations or misstatements identified, and evaluate their possible effect . ▪ In the extremely rare circumstances when the auditor considers a misstatement or deviation discovered in a sample to be an anomaly, the auditor shall obtain a high degree of certainty that such misstatement or deviation is not representative of the population.
Projecting Misstatements	For tests of details, the auditor shall project misstatements found in the sample to the population.
Evaluating Results of Audit Sampling	The auditor shall evaluate: (a) The results of the sample; and (b) Whether the use of audit sampling has provided a reasonable basis for conclusions about the population that has been tested.

SA 540 (Revised) AUDITING ACCOUNTING ESTIMATES, INCLUDING FAIR VALUE ACCOUNTING ESTIMATES, AND RELATED DISCLOSURES (w.e.f. 1st april, 2009)

Nature of Accounting Estimates	▪ Some financial statement items cannot be measured precisely, but can only be estimated. ▪ For purposes of this SA, such financial statement items are referred to as accounting estimates. ▪ The degree of estimation uncertainty affects the risks of material misstatement of accounting estimates. ▪ A difference between the outcome of an accounting estimate and the amount originally recognized in the financial statements does not necessarily represent a misstatement of the financial statements. This is particularly the case for fair value accounting estimates.
Objective of auditor	to obtain sufficient appropriate audit evidence whether: (a) accounting estimates, including fair value accounting estimates are reasonable; and (b) related disclosures in the financial statements are adequate.
Definitions	(a) ***Accounting estimate*** – An approximation of a monetary amount in the absence of a precise means of measurement. This term is used for an amount measured at fair value where there is estimation uncertainty. (b) ***Auditor's point estimate or auditor's range*** – The amount, respectively, derived from audit evidence for use in evaluating management's point estimate. (c) ***Estimation uncertainty*** – The susceptibility of an accounting estimate and related disclosures to an inherent lack of precision in its measurement. (d) ***Management bias*** – A lack of neutrality by management . (e) ***Management's point estimate*** – The amount selected by management for recognition or disclosure in the financial statements as an accounting estimate. (f) ***Outcome of an accounting estimate*** –The actual monetary amount which results from the resolution of the underlying transaction(s) and event(s).
Risk Assessment Procedures and Related Activities	▪ Auditor shall obtain an understanding of the following in order to identify and assess the risks of material misstatement for accounting estimates: (a) The requirements of the applicable financial reporting framework. (b) How management identifies those transactions, events and conditions that may give rise to the need for accounting estimates. (c) How management makes accounting estimates (methods, assumptions, use of expert etc.), ▪ The auditor shall review the outcome of accounting estimates included in the prior period financial statements.

Responses to the Assessed Risks	Based on the assessed risks of material misstatement, the auditor shall determine: (a) Whether management has appropriately applied the applicable financial reporting framework. (b) Whether the methods are appropriate and have been applied consistently,
Response to Significant Risks Estimation Uncertainty	▪ For accounting estimates that give rise to significant risks, the auditor shall evaluate the following: (a) How management has considered alternative assumptions or outcomes, and why it has rejected them. (b) Whether the significant assumptions used by management are reasonable. ▪ If, in the auditor's judgment, management has not adequately addressed the effects of estimation uncertainty ,the auditor shall, develop a range with which to evaluate the reasonableness of the accounting estimate.
Measurement and Disclosures Related to Accounting Estimates	▪ The auditor shall obtain sufficient appropriate audit evidence about whether the accounting estimate and their disclosure in the financial statements is appropriate. ▪ For accounting estimates that give rise to significant risks, the auditor shall check adequacy of the disclosure of their estimation uncertainty in the financial statements.
Indicators of Possible Management Bias	The auditor shall review the judgments and decisions made by management.
Written Representations	The auditor shall obtain written representations from management whether management believes significant assumptions used by it in making accounting estimates are reasonable.
Documentation	The audit documentation shall include: (a) The basis for the auditor's conclusions about the reasonableness of accounting estimates and their disclosure that give rise to significant risks; and (b) Indicators of possible management bias, if any.

SA 560 (Revised) SUBSEQUENT EVENTS(w.e.f. 1st april,2009)

Definitions	(a) **Date of the financial statements** – The date of the end of the latest period covered by the financial statements. (b) **Date of approval of the financial statements** – The date on which the financial statements have been prepared and those with the recognized authority have asserted that they have taken responsibility for those financial statements. (c) **Date of the auditor's report** – The date the auditor dates the report on the financial statements. (d) **Date the financial statements are issued** – The date that the auditor's report and audited financial statements are made available to third parties. (e) **Subsequent events** – Events occurring between the date of the financial statements and the date of the auditor's report, and facts that become known to the auditor after the date of the auditor's report.
Events Occurring Between the Date of the Financial Statements and the Date of the Auditor's Report	▪ The auditor shall obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified. ▪ The auditor shall : (a) Obtain an understanding of any procedures management has established to ensure that subsequent events are identified. (b) Inquiring of management and TCWG. (c) Read minutes, if any, of the meetings, of the entity's owners, management and those charged with governance, that have been held after the date of the financial statements. (d) Read the entity's latest subsequent interim financial statements, if any. ▪ If auditor identifies events that require adjustment of, or disclosure in, the financial statements, the auditor shall determine whether each such event is appropriately reflected in those financial statements.
Written Representations	The auditor shall request the mgt. to provide MRL that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Facts Which Become Known to the Auditor After the Date of the Auditor's Report but Before the Date	▪ The auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor's report. ▪ However, when, after the date of the auditor's report but before the date the financial statements are issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor

the Financial Statements are Issued	shall: (a) Discuss the matter with management and TCWG (b) Determine whether the financial statements need amendment and, if so, (c) Inquire how management intends to address the matter in the financial statements. ▪ If management amends the financial statements, the auditor shall: (i) Extend the audit procedures referred to the date of the new auditor's report; and (ii) Provide a new auditor's report on the amended financial statements. ▪ When law, regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent events , the auditor is permitted to restrict the audit procedures on subsequent events to that amendment. In such cases, the auditor shall either: (a) Amend the auditor's report to include an additional date restricted to that amendment .or (b) Provide a new or amended auditor's report that includes a statement in an Emphasis of Matter paragraph or Other Matter(s) paragraph that conveys that auditor's procedures on subsequent events are restricted solely to the amendment of the financial statements as described in the relevant note to the financial statements. ▪ In some entities, management may not be required by the applicable law, regulation or the financial reporting framework to issue amended financial statements and, accordingly, the auditor need not provide an amended or new auditor's report. ▪ However, when management does not amend the financial statements in circumstances where the auditor believes they need to be amended, then (a) If the auditor's report has not yet been provided to the entity, the auditor shall modify the opinion; or (b) If the auditor's report has already been provided to the entity, the auditor shall notify management and TCWG, not to issue the financial statements to third parties before the necessary amendments have been made. If the financial statements are nevertheless subsequently issued without the necessary amendments, the auditor shall take appropriate action, to seek to prevent reliance on the auditor's report.
Facts Which Become Known to the Auditor After the Financial	▪ After the financial statements have been issued, the auditor has no obligation to perform any audit procedures regarding such financial statements. ▪ However, when, after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at

Statements have been Issued	the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall: (a) Discuss the matter with management and TCWG. (b) Determine whether the financial statements need amendment and, if so, (c) Inquire how management intends to address the matter in the financial statements. ▪ If the management amends the financial statements, the auditor shall: (a) Carry out the audit procedures necessary in the circumstances on the amendment. (b) Review the steps taken by management to ensure that anyone in receipt of the previously issued financial statements together with the auditor's report thereon is informed of the situation. ▪ If management does not take the necessary steps to ensure that anyone in receipt of the previously issued financial statements is informed of the situation , the auditor will seek to prevent future reliance on the auditor's report.

SA 570 (Revised) GOING CONCERN (w.e.f. 1st april'2009)

Going Concern Assumption	▪ Under the going concern assumption, an entity is viewed as continuing in business for the foreseeable future. ▪ General purpose financial statements are prepared on a going concern basis, unless management either intends to liquidate the entity or to cease operations. ▪ When the use of the going concern assumption is appropriate, assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.
Responsibilities of Management	▪ In case the financial statements have not been prepared on a going concern basis, the fact would need to be appropriately disclosed. ▪ The detailed requirements regarding management's responsibility may also be set out in law or regulation. ▪ It is management's responsibility to assess the entity's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so. ▪ Any judgment about the future is based on information available at the time at ,which the judgment is made. However, Subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made.
Responsibilities of the Auditor	▪ The auditor's responsibility is to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption . ▪ He shall consider whether there is a material uncertainty about the entity's ability to continue as a going concern. ▪ The absence of any reference to going concern uncertainty in an auditor's report cannot be viewed as a guarantee as to the entity's ability to continue as a going concern.(SA 200A)
Risk Assessment Procedures and Related Activities	▪ Tthe auditor shall consider whether there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In so doing, the auditor shall determine whether management has already performed a preliminary assessment of the entity's ability to continue as a going concern(discuss with management) ▪ The auditor shall remain alert throughout the audit for audit evidence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
Evaluating Management's Assessment	▪ In evaluating management's assessment of the entity's ability to continue as a going concern, the auditor shall cover the same period as that used by management. ▪ In evaluating management's assessment, the auditor shall consider whether management has considered all relevant information of which the auditor is aware.
Additional Audit Procedures When Events or	When events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall perform procedures as follows: (a) Request management to make its assessment of the entity's ability to

Conditions Are Identified	continue as a going concern. (b) Evaluating management's plans for future actions. (c) When the entity has prepared a cash flow forecast, then consider its reliability. (d) Considering whether any additional facts or information have become available since the date on which management made its assessment. (e) Requesting written representations from management or those charged with governance, regarding their plans for future action and the feasibility of these plans.
Audit Conclusions and Reporting	▪ Auditor shall conclude whether a material uncertainty exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern. ▪ A material uncertainty exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary.
Use of Going Concern Assumption Appropriate but a Material Uncertainty Exists	▪ When the auditor concludes that the use of the going concern assumption is appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether the financial statements: (a) Adequately describe the principal events that may cast significant doubt on the entity's ability to continue as a going concern and management's plans to deal with these events or conditions; and (b) Disclose clearly that there is a material uncertainty related to going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. ▪ If adequate disclosure is made in the financial statements, the auditor shall include an Emphasis of Matter paragraph in the auditor's report . ▪ If adequate disclosure is not made in the financial statements, the auditor shall express a qualified or adverse opinion, as appropriate
Use of Going Concern Assumption Inappropriate	The auditor shall express an adverse opinion.
Management Unwilling to Make Its Assessment	If management is unwilling to make or extend its assessment when requested to do so by the auditor, the auditor shall consider the implications for the auditor's report.
Communication with Those Charged with Governance	Communication with those charged with governance shall include the following: (a) Whether the events or conditions constitute a material uncertainty; (b) Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and (c) The adequacy of related disclosures in the financial statements.
Delay in the Approval of Financial Statements	When the auditor believes that the delay in the approval of the financial statements could be related to events or conditions relating to the going concern assessment, the auditor shall perform additional audit procedures necessary.

SA 580 (REVISED) - WRITTEN REPRESENTATIONS (W.E.F. 1ST APRIL, 2009)

<table>
<tr><td>Scope of this SA</td><td colspan="2">This Standard on Auditing (SA) deals with the auditor’s responsibility to obtain written representations from management and TCWG.</td></tr>
<tr><td>Written Representations as Audit Evidence</td><td colspan="2">▪ Similar to responses to inquiries, written representations are audit evidence.
▪ Although written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own about any of the matters with which they deal.
▪ Furthermore, the fact that management has provided reliable written representations does not affect the nature or extent of other audit evidence that the auditor obtains.</td></tr>
<tr><td>Objectives of auditor</td><td colspan="2">(a) To obtain written representations from management that management believes that it has fulfilled the fundamental responsibilities.
(b) To support other audit evidence by means of written representations, if determined necessary by the auditor or required by other SAs; and
(c) To respond appropriately to written representations provided by management or absence thereof.</td></tr>
<tr><td>Written representations</td><td colspan="2">A written statement by management provided to the auditor to confirm certain matters or to support other audit evidence. Written representations in this context do not include financial statements, the assertions therein or supporting books and records.</td></tr>
<tr><td>from Whom</td><td colspan="2">The auditor shall request written representations from management with appropriate responsibilities for the financial statements and knowledge of the matters concerned.</td></tr>
<tr><td rowspan="2">Written Representations about Management’s Responsibilities</td><td>Preparation and Presentation of the Financial Statements</td><td>written representation that mgt. has fulfilled its responsibility for the preparation and presentation of the financial statements</td></tr>
<tr><td>Information Provided to the Auditor</td><td>Written representation that mgt. has provided the auditor with all relevant information agreed in the terms of the audit engagement and that all transactions have been recorded and are reflected in the financial statements.</td></tr>
<tr><td>Other Written Representations</td><td colspan="2">Other SAs require the auditor to request written representations. If, in addition to such required representations, the auditor determines that it is necessary to obtain one or more written representations, the auditor shall request such other written representations.</td></tr>
<tr><td>Date of and Period(s) Covered by Written Representations</td><td colspan="2">The date of the written representations shall be as near as practicable to, but not after, the date of the auditor’s report on the financial statements. The written representations shall be for all financial statements and period(s) referred to in the auditor’s report.</td></tr>
<tr><td>Form of Written Representations</td><td colspan="2">▪ The written representations shall be in the form of a representation letter addressed to the auditor.</td></tr>
</table>

	▪ If law or regulation requires management to make written public statements about its responsibilities, the relevant matters covered by such statements need not be included in the representation letter.	
Doubt as to the Reliability of Written Representations and Requested Written Representations Not Provided	***Doubt as to the Reliability of Written Representations***	▪ If the auditor has concerns about the competence, integrity, ethical values or diligence of management, the auditor shall determine their effect on the reliability of representations (oral or written) and audit evidence in general. ▪ In particular, if written representations are inconsistent with other audit evidence, the auditor shall perform audit procedures to attempt to resolve the matter. ▪ If the auditor concludes that the written representations are not reliable, the auditor shall take appropriate actions, including determining the possible effect on the opinion
	Requested Written Representations Not Provided	If management does not provide one or more of the requested representation, he shall discuss the matter with mgt. and re-evaluate the reliability and integrity of mgt. He shall consider its effect on his audit report as well.
	Effect on audit report	The auditor shall disclaim an opinion on the financial statements if: (a) The auditor concludes that there is sufficient doubt about the integrity of management such that the written representations are not reliable; or (b) Management does not provide the written representations.