

Checklist on Standards on Auditing



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

Checklist on Standards on Auditing

For Kind Attention of Readers

This Checklist on Standards on Auditing is illustrative in nature. Members are advised to suitably modify the same as per the facts, circumstances, and nature of the entity under audit.

This document neither supersedes nor is a replacement of any guidance/pronouncements/ Standards issued by ICAI. Members are advised to read or use the Checklist in conjunction with the Standards on Auditing.

Members are also advised to exercise the professional judgement while using the Checklist on Standards on Auditing.



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Foreword

Standards on Auditing are performance benchmarks for the members while conducting audit engagements. The members need implementation support from the Institute of Chartered Accountants of India (ICAI) so that these Standards can be implemented by them during their engagements in letter and spirit as per intent of the Standards. The Auditing and Assurance Standards Board (AASB) of ICAI has been taking various steps to support the members in effective implementation of these Standards. These steps include organizing regular training programmes on Standards, issuing implementation guides on Standards, issuing various other publications/ literature on Standards.

In its continuous endeavour of learning and knowledge dissemination, the Auditing and Assurance Standards Board has now come out with this publication, **“Checklist on Standards on Auditing”**. The publication covers checklist on all the 38 Standards on Auditing issued till date covering various audit requirements given in Standards on Auditing. I am happy to note that this Checklist is quite comprehensive. Members and Firms should use the Checklist in conjunction with the Standards on Auditing, Guidance Notes and related pronouncements and suitably modify it to suit the facts, circumstances, and nature of the entity under audit. I congratulate the Auditing and Assurance Standards Board in taking the initiative of publishing this Checklist.

I compliment CA. (Dr.) Sanjeev Kumar Singhal, Chairman, CA. Vishal Doshi, Vice-Chairman and other members of the Auditing and Assurance Standards Board for their efforts in bringing out this Publication for the benefit of the members at large.

I am confident that the members and other interested readers would find this Publication immensely useful in their professional assignments.

June 14, 2023
New Delhi

CA. Aniket Sunil Talati
President, ICAI

Preface

Standards on Auditing prescribe the detailed auditing framework for conducting audits of financial statements of various entities. These Standards contain various audit requirements and related application guidance to explain these requirements. Auditors need to comply with all the relevant requirements of all the applicable Standards on Auditing in their audit engagements. The Auditing and Assurance Standards Board (AASB) of ICAI has been taking various steps to support the members in effective implementation of these Standards like organizing regular training programmes on Standards, issuing implementation guides on Standards, issuing non-authoritative literature on Standards.

It gives us immense pleasure to place in hands of the members, this “Checklist on Standards on Auditing” brought out by the Auditing and Assurance Standards Board. The publication covers checklist on all the 38 Standards on Auditing issued till date. The publication contains detailed checklist on various audit requirements given in Standards on Auditing. The publication also contains various “Notes” to explain these checklists, wherever deemed necessary. These Notes contain the relevant guidance given in Standards on Auditing. The Checklist will enable auditors to comply with Standards on Auditing effectively. Readers are also cautioned that this Checklist is not a substitute of the complete text of Standards on Auditing and the complete text of Standards on Auditing should always be referred for comprehensive knowledge on the subject.

We would like to thank CA. Aniket Sunil Talati, President, ICAI and CA. Ranjeet Kumar Agarwal, Vice-President, ICAI for their guidance and support in various endeavours of the Board.

We are extremely grateful to CA. Sunil Garg for his contribution in developing the basic draft of the Checklist. We express our sincere thanks to CA. Yogesh Khattar for his contribution in reviewing the Checklist.

We also express our sincere thanks to CA. Deepa Agarwal, Special Invitee, AASB for helping in finalization of the Checklist.

We wish to place on record high appreciation of all Board members and special invitees to the Board viz. CA. Chandrashekhar Vasant Chitale, CA. Durgesh Kabra, CA. Dheeraj Kumar Khandelwal, CA. Purushottamlal Khandelwal, CA. Mangesh Pandurang Kinare, CA. Priti Paras Savla, CA. Piyush Sohanrajji Chhajer, CA. Dayaniwas Sharma, CA. Sridhar Muppala, CA. Sripriya Kumar, CA. (Dr.) Debashis Mitra (Past President, ICAI), CA. Rohit Ruwatia Agarwal, CA. Abhay Kumar Chhajer, CA. Anuj Goyal, CA. Gyan Chandra Misra, CA. Prakash Sharma, CA. (Ms.) Kemisha Soni, CA.(Dr.) Raj Chawla, CA. Hans Raj Chugh, CA. Pramod Jain, CA.

Charanjot Singh Nanda, Shri Deepak Kapoor, Adv. Vijay Kumar Jhalani, CA. Sekar G., CA. Gaurav Rawat, CA. Ashok Kumar Pandey, CA. Geeta Dhingra, CA. Ganesh B, CA. Shrikant Narayan Dandavate, CA. D N Agrawal, CA. Pankaj Khullar, CA. Viren Bhanuchandra Shah, CA. Dhananjay Gokhale, CA. Amit Mitra, CA. Sandeep Sharma, CA. Lalit Kumar, CA. Parveen Kumar, CA. Sumant Chadha, CA. Rajesh Mody, CA. Rajeev Saxena, Shri Atma Sah, CA. Aniruddha Godbole, CA. Ridhima Dubey, CA. Avinash Aggarwal, CA. Narender Singhania, CA. Gulshan Grover, CA. Anurag Totuka, CA. Rahul Aggarwal, CA. Bhuwanesh Kumar Thakur, CA. Naresh Aggarwal, CA. Pallav Gupta, Shri Jeevan Sonparote, Shri Raushan Kumar, Shri Rambabu Gorli, Shri Ramkumar Pandey, Shri Nethaji Bhudevan and CA. Tanmay Gupta for their suggestions in finalising the Checklist. We also appreciate the technical contribution made by CA. Megha Saxena, Secretary, AASB and staff members of AASB in finalising the Checklist.

We are confident that the Checklist would be well received by the members and other interested readers.

CA. Vishal Doshi
Vice Chairman, AASB

CA. (Dr.) Sanjeev Kumar Singhal
Chairman, AASB

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

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) establishes the independent auditor's overall responsibilities when conducting an audit of financial statements in accordance with SAs. Specifically, it sets out the overall objectives of the independent auditor, and explains the nature and scope of an audit designed to enable the independent auditor to meet those objectives. It also explains the scope, authority and structure of the SAs, and includes requirements establishing the general responsibilities of the independent auditor applicable in all audits, including the obligation to comply with the SAs. The independent auditor is referred to as "the auditor" hereafter.

SAs are written in the context of an audit of financial statements by an auditor. They are to be adapted as necessary in the circumstances when applied to audits of other historical financial information.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Overall Objectives of the Auditor

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

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

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

Definitions

Applicable financial reporting framework – The financial reporting framework adopted by management and, where appropriate, those charged with governance in the preparation and presentation of the financial statements that is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulation.

The term "fair presentation framework" is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

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

The term "compliance framework" is used to refer to a financial reporting framework that requires compliance with the requirements of the framework but does not contain the acknowledgements in (i) or (ii) above.

Audit evidence – Information used by the auditor in arriving at the conclusions on which the auditor’s opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other information. For purposes of the SAs:

- (i) Sufficiency of audit evidence is the measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the auditor’s assessment of the risks of material misstatement and also by the quality of such audit evidence.
- (ii) Appropriateness of audit evidence is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor’s opinion is based.

Audit risk – The risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated. Audit risk is a function of the risks of material misstatement and detection risk.

Auditor – “Auditor” is used to refer to the person or persons conducting the audit, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. Where an SA expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner” rather than “auditor” is used. “Engagement partner” and “firm” are to be read as referring to their public sector equivalents where relevant.

Detection risk – The risk that the procedures performed by the auditor to reduce audit risk to an acceptably low level will not detect a misstatement that exists and that could be material, either individually or when aggregated with other misstatements.

Financial statements – A structured representation of historical financial information, including related notes, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement.

Historical financial information – Information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.

Management – The person(s) with executive responsibility for the conduct of the entity’s operations. For some entities in some jurisdictions, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner manager.

Misstatement – A difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud. When the auditor expresses an opinion on whether the financial statements are presented fairly, in all material respects, or give a true and fair view, misstatements also include those adjustments of amounts, classifications, presentation, or disclosures that, in the auditor’s judgment, are necessary for the financial statements to be presented fairly, in all material respects, or to give a true and fair view.

Premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit is conducted – That management and, where appropriate, those

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charged with governance have the following responsibilities that are fundamental to the conduct of an audit in accordance with SAs. That is, responsibility:

- (i) For the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (ii) To provide the auditor with:
 - a. All information, such as records and documentation, and other matters that are relevant to the preparation and presentation of the financial statements;
 - b. Any additional information that the auditor may request from management and, where appropriate, those charged with governance; and
 - c. Unrestricted access to those within the entity from whom the auditor determines it necessary to obtain audit evidence.

In the case of a fair presentation framework, the responsibility is for the preparation and fair presentation of the financial statements in accordance with the financial reporting framework; or the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework. This applies to all references to “preparation and presentation of the financial statements” in the SAs. The “premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit is conducted” may also be referred to as the “premise”.

Professional judgment – The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.

Professional skepticism – An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.

Reasonable assurance – In the context of an audit of financial statements, a high, but not absolute, level of assurance.

Risk of material misstatement – The risk that the financial statements are materially misstated prior to audit. This consists of two components, described as follows at the assertion level:

- (i) **Inherent risk** – The susceptibility of an assertion about a class of transaction, account balance or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls.
- (ii) **Control risk** – The risk that a misstatement that could occur in an assertion about a class of transaction, account balance or disclosure and that could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity’s internal control.

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. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

Para No.	Particulars	Response [Yes, No, NA] <i>(give comments wherever required)</i>	WP Reference
Para 11, 12	Overall Objectives of the Auditor a) Has the auditor obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework and b) to report on the financial statements, and communicate as required by the SAs, in accordance with the auditor's findings. [Note: In all cases when reasonable assurance cannot be obtained and a qualified opinion in the auditor's report is insufficient in the circumstances for purposes of reporting to the intended users of the financial statements, the SAs require that the auditor disclaim an opinion or withdraw from the engagement, where withdrawal is legally permitted.]		
Para A2	Preparation of Financial Statements Has the management prepared and presented financial statements in accordance with the applicable financial reporting framework? Has management provided unrestricted access to all information and records to the auditor? [Note: Applicable financial reporting framework includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. (Para A2) The financial statements subject to audit are those of the entity, prepared and presented by management of the entity with oversight from those charged with governance. SAs do not impose responsibilities on management or those charged with governance and do not override laws and regulations that govern their responsibilities. However, an audit in accordance with SAs is conducted on the premise that management and, where appropriate, those charged with governance have responsibilities that are fundamental to the conduct of the audit. The audit of the financial statements does not relieve management or those charged with governance of those responsibilities. (Para 4)]		

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Para A3	Has the management identified applicable financial reporting framework, in the context of any relevant laws or regulations and adequately described that framework in the financial statements?		
Para A10	Whether the auditor obtained agreement from management and, where appropriate, those charged with governance that they acknowledge and understand their responsibilities and written representations about whether management and, where appropriate, those charged with governance have fulfilled those responsibilities?		
Para A11	Whether there are any mandates from Central/State Government regarding management responsibility? If yes, whether the auditor has obtained agreement from management that they acknowledge and understand their responsibilities and obtained written representations about whether management and, where appropriate, those charged with governance have fulfilled those responsibilities?		
Para A12	Form of the Auditor's Opinion Whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework?		
Para A13	Whether the financial reporting framework is a fair presentation framework? If Yes, then has the auditor given an opinion on whether the financial statements are presented fairly, in all material respects, or give a true and fair view? If No, (i.e. in case of compliance framework) then has the auditor given an opinion on whether the financial statements are prepared, in all material respects, in accordance with the framework?		
Para 14	Ethical Requirements Relating to an Audit of Financial Statements Has the auditor complied with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements? [Note: Relevant ethical requirements ordinarily comprise the Code of Ethics issued by the Institute of Chartered Accountants of India (Para A14)]		
Para A15	Has the auditor complied with following fundamental principles of professional ethics established by Code of Ethics issued by the Institute of Chartered Accountants of India? • Integrity • Objectivity		

	- Professional competence and due care - Confidentiality; and - Professional behaviour		
Para A16	Whether the auditor is independent of the entity subject to the audit in accordance with firm's policy and applicable laws and regulations?		
Para A17	Has any matter come to the attention of engagement partner that indicate that members of the engagement team have not complied with relevant ethical requirements, and forming a conclusion on compliance with independence requirements that apply to the audit engagement?		
Para 15	Professional Skepticism Has the auditor planned and performed audit with professional skepticism recognising that circumstances may exist that cause the financial statements to be materially misstated? [Note: Auditor is required to maintain professional skepticism throughout the audit. It includes consideration of the sufficiency and appropriateness of audit evidence obtained in the light of the circumstances. The auditor is required to assess the reliability of the information to be used as audit evidence. Integrity of entity's management and those charged with governance does not relieve the auditor of the need to maintain professional skepticism. (Para A18 to A22)]		
Para 16	Professional Judgement Has the auditor exercised professional judgment in planning and performing an audit of financial statements? [Note: Professional judgment is necessary in particular regarding decisions about: - Materiality and audit risk. - The nature, timing, and extent of audit procedures used to meet the requirements of the SAs and gather audit evidence. - Evaluating whether sufficient appropriate audit evidence has been obtained, and whether more needs to be done to achieve the objectives of the SAs and thereby, the overall objectives of the auditor. - The evaluation of management's judgments in applying the entity's applicable financial reporting framework. The drawing of conclusions based on the audit evidence obtained, for example, assessing the reasonableness of the estimates made by management in preparing the financial statements. (Para A23)]		

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Para A25	Has the auditor obtained consultation on difficult or contentious matters during the course of the audit, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm, such as that required by SA 220, assist the auditor in making informed and reasonable judgments?		
Para A26	Whether the judgment reached reflects a competent application of auditing and accounting principles and is appropriate in the light of, and consistent with, the facts and circumstances that were known to the auditor up to the date of the auditor's report?		
Para A27	Has the auditor prepared audit documentation sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the significant professional judgments made in reaching conclusions on significant matters arising during the audit? [Note: Professional judgment is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement or sufficient appropriate audit evidence.]		
Sufficient Appropriate Audit Evidence and Audit Risk			
Para 17	Whether sufficient appropriate audit evidence has been obtained to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion? [Note: Audit evidence is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. It may also include information obtained from other sources such as previous audits or a firm's quality control procedures for client acceptance and continuance. In addition to other sources inside and outside the entity, the entity's accounting records are an important source of audit evidence. Also, information that may be used as audit evidence may have been prepared using the work of a management's expert. (Para A28)]		
Para A29	Whether the quantity of audit evidence obtained is in accordance with the auditor's assessment of the risks of misstatement? [Note: Obtaining more audit evidence, may not compensate for poor quality of audit evidence.]		
Para A30	Whether the auditor has tested reliability of the source of audit evidence?		
Para A34	Has the auditor assessed risk of material misstatement at overall financial statement level and at assertion level for classes of transactions, account balances, and disclosures?		

Para A38, A39	Has the auditor assessed inherent risk and control risk in an audit? [Note: Para A38 and A39 explains nature of inherent risk and control risk.]		
Para A42	Has the auditor assessed detection risk in an audit? [Note: Detection risk bears an inverse relationship to the assessed risks of material misstatement at the assertion level. For example, the greater the risks of material misstatement the auditor believes exists, the less the detection risk that can be accepted and, accordingly, the more persuasive the audit evidence required by the auditor. Detection risk, however, can only be reduced, not eliminated, because of the inherent limitations of an audit. Accordingly, some detection risk will always exist.]		
Para A45	Has the auditor documented inherent limitations in audit? [Note: The inherent limitations of an audit arise from: • The nature of financial reporting; • The nature of audit procedures; and • The need for the audit to be conducted within a reasonable period of time and at a reasonable cost.] [Note: The inherent limitations of an audit are not a justification for the auditor to be satisfied with less-than-persuasive audit evidence. Whether the auditor has performed an audit in accordance with SAs is determined by the audit procedures performed in the circumstances, the sufficiency and appropriateness of the audit evidence obtained as a result thereof and the suitability of the auditor's report based on an evaluation of that evidence in light of the overall objectives of the auditor. (Para A52)] [Note: The aforesaid limitations remain relevant even where independent auditors, in the course of their audits, are required by laws or regulations to specifically or separately report on frauds and/or other irregularities to third parties such as the Government or a regulator. (Para A53)]		
Para A46	Whether accounting estimates are reasonable in the context of the applicable financial reporting framework and related disclosures, and whether auditor has considered the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments?		
Para A47	Has the auditor documented practical and legal limitations on the auditor's ability to obtain audit evidence? [Note: Para A47 provides few examples of practical and legal		

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	limitation to obtain audit evidence.]		
Para A48	Has the auditor omitted an audit procedure for which there is no alternative or to be satisfied with audit evidence that is less than persuasive due to limitation of time and cost?		
Para A50	Whether the auditor has: • Basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels by performing risk assessment procedures and related activities? • Used testing and other means of examining populations in a manner that provides a reasonable basis for the auditor to draw conclusions about the population?		
Conduct of an Audit in Accordance with SAs			
Para 18, 19 and 20	Complying with SAs Relevant to the Audit Has the auditor: • Complied with all relevant Standards on Auditing (SAs)? • Understood the entire text of an SA including its application and other explanatory material? • Not represented compliance with SAs in auditor's report unless complied with requirements of this SA and all other SAs relevant to the audit?		
Para A64	Has the auditor complied with specific considerations for smaller entities? [Note: Para A64 of this SA provides a list of characteristics of a smaller entity.]		
Para 21, A71	Objectives Stated in Individual SAs Has the auditor used the objectives stated in relevant SAs in planning and performing the audit? Whether additional audit procedures required to achieve objective stated in the SAs? Whether sufficient and appropriate audit evidence has been obtained to achieve the objectives? If not, has the auditor: • Evaluated that further relevant audit evidences have been obtained to comply with SAs? • Extended the work performed in applying one or more requirements?		

	• Perform other procedures judged by the auditor to be necessary in the circumstances? [Note: Where none of the above is expected to be practical or possible in the circumstances, the auditor will not be able to obtain sufficient appropriate audit evidence and is required by the SAs to determine the effect on the auditor's report or on the auditor's ability to complete the engagement.(Para A71)]		
Para 22, 23	Complying with Relevant Requirements Whether the auditor has complied with each requirement of an SA unless, in the circumstances of the audit, the entire SA is not relevant; or the requirement is not relevant because it is conditional and the condition does not exist? Where auditor has departed from relevant requirement in a SA in exceptional circumstances, whether the auditor has documented the reason for departure and performed alternate procedures to achieve the aim of that requirement?		
Para 24	Failure to Achieve an Objective If an objective in a relevant SA cannot be achieved, whether the auditor has evaluated whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the SAs, to modify the auditor's opinion or withdraw from the engagement? Has the auditor documented the reasons if any of the objectives stated in SAs is not achieved along with its impact on the auditor's opinion?		

SA 210, Agreeing the Terms of Audit Engagements

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide to SA 210, “Agreeing the Terms of Audit Engagements”.

Scope

This Standard on Auditing (SA) deals with the auditor's responsibilities in agreeing the terms of the audit engagement with management and, where appropriate, those charged with governance. This includes establishing that certain preconditions for an audit, responsibility for which rests with management and, where appropriate, those charged with governance, are present. SA 220 deals with those aspects of engagement acceptance that are within the control of the auditor. This SA deals with those matters that are within the control of the entity and upon which it is necessary for the auditor and the entity's management to agree.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objective

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

- (a) Establishing whether the preconditions for an audit are present; and
- (b) Confirming that there is a common understanding between the auditor and management and, where appropriate, those charged with governance of the terms of the audit engagement.

Definitions

Preconditions for an audit – The use by management of an acceptable financial reporting framework in the preparation of the financial statements and the agreement of management and, where appropriate, those charged with governance to the premise on which an audit is conducted.

Assurance engagement means an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.

Criteria are the benchmarks used to evaluate or measure the subject matter including, where relevant, benchmarks for presentation and disclosure. Suitable criteria enable reasonably consistent evaluation or measurement of a subject matter within the context of professional judgment. For purposes of the SAs, the applicable financial reporting framework provides the criteria the auditor uses to audit the financial statements, including where relevant their fair presentation.

Financial Reporting Standards “Financial Reporting Standards” includes:

- The Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI)¹; or
- Accounting Standards notified under the Companies Act, 2013; or
- The International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board; or
- The International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board; or
- Any other Accounting Standards as may be applicable to the entity.

¹ For example, the Accounting Standards for Local Bodies issued by ICAI.

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] <i>(give comments wherever required)</i>	WP Reference
Para 6(a)	Preconditions for an Audit Has the auditor determined that the financial reporting framework to be applied in the preparation of the financial statements is acceptable? [Note: Auditor can use following factors while determining acceptability of the financial reporting framework to be applied in the preparation of the financial statements: • The nature of the entity (for example, whether it is a business enterprise, or a not for profit organization); • The purpose of the financial statements (for example, whether they are prepared to meet the common financial information needs of a wide range of users or the financial information needs of specific users); • The nature of the financial statements (for example, whether the financial statements are a complete set of financial statements or a single financial statement); and • Whether law or regulation prescribes the applicable financial reporting framework. (Para A4)]		
Para A2	Whether the auditor has accepted an assurance engagement after evaluating that the criteria to be used are suitable and are available to the intended users? [Note: At present, there is no objective and authoritative basis that has been generally recognised globally for judging the acceptability of general-purpose frameworks. In the absence of such a basis, financial reporting standards established by organizations that are authorised or recognised to promulgate standards to be used by certain types of entities are presumed to be acceptable for general purpose financial statements prepared by such entities, provided the organizations follow an established and transparent process involving deliberation and consideration of the views of a wide range of stakeholders. (Para A8)] In case of some entities, law or regulation may prescribe the financial reporting framework to be used in the preparation of general-purpose financial statements. In the absence of indications to the contrary, such a financial reporting framework is presumed to be acceptable for general purpose financial statements prepared by such entities. (Para A9)] To determine whether the financial reporting framework, to be applied		

	in the preparation of the financial statements, is acceptable, auditor can refer Appendix 2 of this SA summarised below.		
Para 6(b)	Preconditions for an Audit Has the auditor obtained agreement from management that it acknowledges and understands its responsibility on following: • Preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation; • Implementation of such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and • To provide the auditor with: a. Access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters; b. Additional information that the auditor may request from management for the purpose of the audit; and c. Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.		
Para 7	Limitation on Scope Prior to Audit Engagement Acceptance Whether any limitations have been imposed by the management or those charged with governance on the scope of auditor's work in the terms of a proposed audit engagement such that the auditor believes the limitation will result in the auditor disclaiming an opinion on the financial statements? If yes, whether the auditor has accepted the audit engagement? If accepted, whether such engagement is required to be accepted by any law or regulation?		
Other Factors Affecting Audit Engagement Acceptance			
Para 8	If the preconditions for an audit are not present, whether the auditor has discussed the matter with management. Unless required by law or regulation to do so, the auditor shall not accept the proposed audit engagement: (a) If the auditor has determined that the financial reporting framework to be applied in the preparation of the financial statements is unacceptable, except when financial reporting framework is prescribed by law or regulation or (b) If the agreement referred to in paragraph 6(b) has not been obtained.		

Checklist on Standards on Auditing

Para 9	Agreement on Audit Engagement Terms Has the auditor agreed terms of the audit engagement with management or those charged with governance as appropriate? [Note: The roles of management and those charged with governance in agreeing the terms of the audit engagement for the entity depend on the governance structure of the entity and relevant law or regulation. (Para A21)]		
Para 10	Whether the agreed terms of the audit engagement have been recorded in an audit engagement letter or other suitable form of written agreement and include: • The objective and scope of the audit of the financial statements; • The responsibilities of the auditor; • The responsibilities of management; • Identification of the applicable financial reporting framework for the preparation of the financial statements; and • Reference to the expected form and content of any reports to be issued by the auditor and a statement that there may be circumstances in which a report may differ from its expected form and content. [Note: Auditor can refer to paragraph A23 and A25 of this SA for examples of references that an auditor can make in audit engagement letter.]		
Para 11	Whether law or regulation prescribes in sufficient detail the terms of the audit engagement? [Note: If answer to above question is yes, the auditor need not record them in a written agreement, except for the fact that such law or regulation applies, and that management acknowledges and understands its responsibilities as set out in Para 6(b) of this SA.]		
Para 12	Whether the law or regulation prescribes responsibilities of management similar to those described in para 6(b) of this SA and such that their effect is equivalent to those set out in para 6(b) of this SA? If no, has the auditor used the description mentioned in para 6(b) of this SA? [Note: If law or regulation prescribes responsibilities of management similar to those described in paragraph 6(b), the auditor may determine that the law or regulation includes responsibilities that, in the auditor's judgment, are equivalent in effect to those set out in that paragraph. For such responsibilities that are equivalent, the auditor may use the wording of the law or regulation to describe them in the written agreement.]		

Para A26	Whether the auditor of a parent entity is also the auditor of a component? If yes, whether following factors have been considered for preparation of separate audit engagement letter: • Who appoints the component auditor; • Whether a separate auditor's report is to be issued on the component; • Legal requirements in relation to audit appointments; • Degree of ownership by parent; and • Degree of independence of the component management from the parent entity.		
Para A27	Has the auditor concluded that it is not necessary to record certain terms of the audit engagement in an audit engagement letter? If yes, has the auditor obtained written agreement from management that it acknowledges and understands its responsibilities set out in para 6(b) of this SA?		
Para 13	Recurring Audit Has the auditor assessed circumstances where terms of the audit engagement need to be revised and that is need to remind the entity of the existing terms of the audit engagement? [Note: Auditor can consider following factors to revise the terms of the audit engagement or to remind the entity of existing terms: • Any indication that the entity misunderstands the objective and scope of the audit. • Any revised or special terms of the audit engagement. • A recent change of senior management. • A significant change in ownership. • A significant change in nature or size of the entity's business. • A change in legal or regulatory requirements. • A change in the financial reporting framework adopted in the preparation of the financial statements. • A change in other reporting requirements.(Para A29)]		
Para 14 to 17	Acceptance of a Change in the Terms of the Audit Engagement Whether the auditor has been asked to change the terms of the audit engagement without any reasonable justification? If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, whether the auditor has: • Withdrawn from the audit engagement where possible under		

Checklist on Standards on Auditing

	applicable law or regulation; and • Determined whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators. If terms of audit engagement are changed, whether the auditor and the management has agreed on and recorded the new terms of the engagement in an engagement letter or other suitable form of written agreement. Where the auditor is requested to change the audit engagement to an engagement that conveys a lower level of assurance, has the auditor determined whether there is reasonable justification for doing so? [Note: Before agreeing to change an audit engagement to a review or a related service, an auditor who was engaged to perform an audit in accordance with SAs may need to assess, in addition to the matters referred to in paragraphs A30-A32 of this SA, any legal or contractual implications of the change. (Para A33)] If the auditor concludes that there is reasonable justification to change the audit engagement to a review or a related service, the audit work performed to the date of change may be relevant to the changed engagement; however, the work required to be performed and the report to be issued would be those appropriate to the revised engagement. In order to avoid confusing the reader, the report on the related service would not include reference to the original audit engagement or any procedures that may have been performed in the original audit engagement, except where the audit engagement is changed to an engagement to undertake agreed-upon procedures and thus reference to the procedures performed is a normal part of the report. (Para A34)]		
Para A34	If the auditor has accepted to change the audit engagement, whether the auditor's report includes reference to: • The original audit engagement; or • Any procedures that may have been performed in the original audit engagement.		
Additional Considerations in Engagement Acceptance			
Para 18	Financial Reporting Standards Supplemented by Law or Regulation Whether there are any conflicts between Financial Reporting Standards and additional requirements supplemented by law or regulation? If yes, has the auditor discussed with the management the nature of the additional requirements and agreed whether: • The additional requirements can be met through additional		

	disclosures in the financial statements; or The description of the applicable financial reporting framework in the financial statements can be amended accordingly. If neither of above action is possible, whether the auditor determined need of modification in auditor's report in accordance with SA 705(Revised).		
Para 19, 20	Financial Reporting Framework Prescribed by Law or Regulation - Other Matters Affecting Acceptance Whether financial reporting framework prescribed by law or regulation is unacceptable? If yes but for the fact that it is prescribed by law or regulation, whether the auditor has accepted audit engagement only if the following conditions are present: - Management agreed to provide additional disclosures in the financial statements required to avoid the financial statements being misleading; and - It is recognised in the terms of the audit engagement that: (i) The auditor's report on the financial statements will incorporate an Emphasis of Matter paragraph, drawing users' attention to the additional disclosures, in accordance with SA 706(Revised); and (ii) Unless the auditor is required by law or regulation to express the auditor's opinion on the financial statements by using the phrases "present fairly, in all material respects", or "give a true and fair view" in accordance with the applicable financial reporting framework, the auditor's opinion on the financial statements will not include such phrases. If above conditions are not present, and the auditor is required by law or regulation to undertake the audit engagement, whether the auditor evaluated effect of the misleading nature of the financial statements on the auditor's report and included appropriate reference to this matter in the terms of the audit engagement?		
Para 21	Auditor's Report Prescribed by Law or Regulation Whether the law or regulation applicable to the entity prescribes the layout or wording of the auditor's report in a form or in terms that are significantly different from the requirements of SAs? If yes, whether the auditor evaluated that: - Whether users might misunderstand the assurance obtained from the audit of the financial statements and, if so, - Whether additional explanation in the auditor's report can mitigate		

Checklist on Standards on Auditing

	possible misunderstanding. [Note: If the auditor concludes that additional explanation in the auditor's report cannot mitigate possible misunderstanding, the auditor shall not accept the audit engagement, unless required by law or regulation to do so. An audit conducted in accordance with such law or regulation does not comply with SAs. Accordingly, the auditor shall not include any reference within the auditor's report to the audit having been conducted in accordance with SAs.]		
Appendix 2	Determining the Acceptability of General Purpose Frameworks While determining acceptability of general-purpose framework, has the auditor assessed the following attributes: • Relevance, that the information provided in the financial statements is relevant to the nature of the entity and the purpose of the financial statements. • Completeness, that transactions and events, account balances and disclosures that could affect conclusions based on the financial statements are not omitted. • Reliability, that the information provided in the financial statements: (i) Where applicable, reflects the economic substance of events and transactions and not merely their legal form; and (ii) Results in reasonably consistent evaluation, measurement, presentation and disclosure, when used in similar circumstances. • Neutrality, that it contributes to information in the financial statements that is free from bias. • Understandability, that the information in the financial statements is clear and comprehensive and not subject to significantly different interpretation. [Note: A conglomeration of accounting conventions devised to suit individual preferences is not an acceptable financial reporting framework for general purpose financial statements. Similarly, a compliance framework will not be an acceptable financial reporting framework, unless it is generally accepted in the industry to which the entity belongs by preparers and users.]		

SA 220, Quality Control for an Audit of Financial Statements

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with the specific responsibilities of the auditor regarding quality control procedures for an audit of financial statements. It also addresses, where applicable, the responsibilities of the engagement quality control reviewer.

System of Quality Control and Role of Engagement Teams

Quality control systems, policies and procedures are the responsibility of the audit firm. Under SQC 1, the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance that:

- a) The firm and its personnel comply with professional standards and regulatory and legal requirements; and
- b) The reports issued by the firm or engagement partners are appropriate in the circumstances.

This SA is premised on the basis that the firm is subject to SQC 1.

Within the context of the firm's system of quality control, engagement teams have a responsibility to implement quality control procedures that are applicable to the audit engagement and provide the firm with relevant information to enable the functioning of that part of the firm's system of quality control relating to independence.

Engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objective

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

- a) The audit complies with professional standards and regulatory and legal requirements; and
- b) The auditor's report issued is appropriate in the circumstances.

Definitions

Engagement partner – The partner or other person in the firm who is a member of the Institute of Chartered Accountants of India and is in full time practice and is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

Engagement quality control review – A process designed to provide an objective evaluation, before the report is issued, of the significant judgments the engagement team made and the conclusions they reached in formulating the report.

Engagement quality control reviewer – A partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, with sufficient and appropriate experience and authority to objectively evaluate, before the report is issued, the significant judgments the engagement team made and the conclusions they reached in formulating the report. However, in case the review is done by a team of individuals, such team should be headed by a member of the Institute.

Engagement team – All personnel performing an engagement, including any experts contracted by the firm in connection with that engagement. The term "engagement team" excludes individuals within the

client's internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of SA 610 (Revised).

Firm – A sole practitioner/proprietor, partnership, or any such entity of professional accountants, as may be permitted by law.

Inspection - In relation to completed engagements, procedures designed to provide evidence of compliance by engagement teams with the firm's quality control policies and procedures.

Listed Entity - An entity whose shares, stock or debt are quoted or listed on recognized stock exchange, or are traded under the regulations of a recognized stock exchange or other equivalent body.

Monitoring - A process comprising an ongoing consideration and evaluation of the firm's system of quality control, including a periodic inspection of a selection of completed engagements, designed to enable the firm to obtain reasonable assurance that its system of quality control is operating effectively.

Network Firm – A firm or entity that belongs to a network.

Network – A larger structure:

- a) That is aimed at cooperation, and
- b) That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.

Partner – Any individual with authority to bind the firm with respect to the performance of a professional services engagement.

Personnel – Partners and staff.

Professional Standards - Engagement Standards, as defined in the "Preface to the Standards on Quality Control, Auditing, Review, Other Assurance and Related Services", issued by the Institute of Chartered Accountants of India and relevant ethical requirements as contained in the Code of Ethics issued by the Institute.

Relevant ethical requirements – Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which ordinarily comprise the Code of Ethics of the Institute of Chartered Accountants of India related to an audit of financial statements.

Staff – Professionals, other than partners, including any experts which the firm employs.

Suitably qualified external person – An individual outside the firm with the capabilities and competence to act as an engagement partner, for example a partner or an employee (with appropriate experience) of another firm.

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] (<i>give comments wherever required</i>)	WP Reference
	Leadership Responsibilities for Quality on Audits		
Para 8	Whether the engagement partner took the responsibility for the overall quality on each audit engagement to which the engagement partner is assigned?		
Para A3	Has the Engagement Partner passed on appropriate messages to the other members of the engagement team, in taking responsibility for the overall quality on each audit engagement? Whether the message emphasised on: a) The importance to audit quality of: - Performing work that complies with professional standards and regulatory and legal requirements; - Complying with the firm's quality control policies and procedures as applicable; - Issuing auditor's reports that are appropriate in the circumstances; and - The engagement team's ability to raise concerns without fear of reprisals; and b) The fact that quality is essential in performing audit engagements?		
	Relevant Ethical Requirements		
Para 9, 10	Whether the engagement partner, throughout the audit engagement, has come across any evidence, through observation and making inquiries as necessary or through the firm's system of quality control or otherwise, of non-compliance with relevant ethical requirements by members of the engagement team? If yes, whether the engagement partner, in consultation with others in the firm, determined the appropriate action. [Note: The definitions of "firm", "network" or "network firm" in relevant ethical requirements may differ from those set out in this SA. For example, the Code of Ethics of the Institute of Chartered Accountants of India (ICAI) defines the "Network Firm" as: "Networking amongst two or more firms under common control, ownership or management with the firm or having affiliation with an accounting entity or any entity that a reasonable and informed third		

	party having knowledge of all relevant information would reasonably conclude as being part of the firm nationally”. (Para A5)]		
Para 11	Independence Whether the engagement partner while forming a conclusion on compliance with independence requirements that apply to the audit engagement: a) Obtained relevant information from the firm and, where applicable, network firms, to identify and evaluate circumstances and relationships that create threats to independence; b) Evaluated information on identified breaches, if any, of the firm’s independence policies and procedures to determine whether they create a threat to independence for the audit engagement; and c) Took appropriate action to eliminate such threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the audit engagement, where withdrawal is permitted by law or regulation? d) Has the engagement partner promptly reported to the firm any inability to resolve the matter for appropriate action?		
Para A6	Where the engagement partner identified any threat to Independence that safeguards may not be able to eliminate or reduce to an acceptable level, has the engagement partner reported to the relevant person(s) within the firm to determine appropriate action?		
	Acceptance and Continuance of Client Relationships and Audit Engagements		
Para 12	Whether the engagement partner is satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and audit engagements have been followed and determined that conclusions reached in this regard are appropriate?		
Para A8	Before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client whether following information is obtained: • The integrity of the principal owners, key management and those charged with governance of the entity; • Whether the engagement team is competent to perform the audit engagement and has the necessary capabilities, including time and resources; • Whether the firm and the engagement team can comply with relevant ethical requirements; and • Significant matters that have arisen during the current or previous audit engagement, and their implications for continuing the relationship?		

Checklist on Standards on Auditing

Para 13	Whether the engagement partner obtained information that would have caused the firm to decline the audit engagement had that information been available earlier? If yes, whether the engagement partner had communicated that information promptly to the firm, so that the firm and the engagement partner can take the necessary action?		
	Assignment of Engagement Teams		
Para 14	Whether the engagement partner is satisfied that the engagement team, and any auditor's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities to: a) Perform the audit engagement in accordance with professional standards and regulatory and legal requirements; and b) Enable an auditor's report that is appropriate in the circumstances to be issued? [Note: An engagement team also includes a member using expertise in a specialised area of accounting or auditing, whether engaged or employed by the firm, if any, who performs audit procedures on the engagement. (Para A10)]		
Para A11	Has following factors considered by the engagement partner while determining appropriate competence and capabilities expected of the engagement team as a whole: • Team's understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation. • Team's understanding of professional standards and regulatory and legal requirements. • Team's technical expertise, including expertise with relevant information technology and specialised areas of accounting or auditing. • Team's knowledge of relevant industries in which the client operates. • Team's ability to apply professional judgment. • Team's understanding of the firm's quality control policies and procedures?		
	Engagement Performance		
Para 15	Direction, Supervision and Performance Whether the engagement partner took responsibility for: a) The direction, supervision and performance of the audit engagement in compliance with professional standards and regulatory and legal requirements; and b) The auditor's report being appropriate in the circumstances?		

Para A13	Whether direction of the engagement team involved informing the members of the engagement team of following matters: • Their responsibilities, including the need to comply with relevant ethical requirements, and to plan and perform an audit with professional skepticism as required by SA 200. • Responsibilities of respective partners where more than one partner is involved in the conduct of an audit engagement. • The objectives of the work to be performed. • The nature of the entity's business. • Risk-related issues. • Problems that may arise. • The detailed approach to the performance of the engagement?		
Para A15	Whether supervision included following matters: • Tracking the progress of the audit engagement. • Considering the competence and capabilities of individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the audit engagement. • Addressing significant matters arising during the audit engagement, considering their significance and modifying the planned approach appropriately. • Identifying matters for consultation or consideration by more experienced engagement team members during the audit engagement?		
	Reviews		
Para 16, 17	Whether the engagement partner took responsibility for reviews being performed in accordance with the firm's review policies and procedures? [Note: Under SQC 1, the firm's review responsibility policies and procedures are determined on the basis that work of less experienced team members is reviewed by more experienced team members. (Para A16)] On or before the date of the auditor's report, whether the engagement partner, through a review of the audit documentation and discussion with the engagement team, is satisfied that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued?		
Para A17	Whether review consisted of following considerations: • The work has been performed in accordance with professional		

Checklist on Standards on Auditing

	standards and regulatory and legal requirements; • Significant matters have been raised for further consideration; • Appropriate consultations have taken place and the resulting conclusions have been documented and implemented; • There is a need to revise the nature, timing and extent of work performed; • The work performed supports the conclusions reached and is appropriately documented; • The evidence obtained is sufficient and appropriate to support the auditor's report; and • The objectives of the engagement procedures have been achieved? [Note: An engagement partner taking over an audit during the engagement, may apply the above review procedures of paragraph A17 to review the work performed to the date of a change in order to assume the responsibilities of an engagement partner. (Para A19)]		
Para A18	Whether the engagement partner has performed timely reviews of the following: • Critical areas of judgment, especially those relating to difficult or contentious matters identified during the course of the engagement; • Significant risks; and • Other areas the engagement partner considers important?		
Para A20	Whether the engagement team uses a member with expertise in a specialized area of accounting or auditing? If yes, whether the direction, supervision and review of that engagement team member's work includes matters such as: • Agreeing with that member the nature, scope and objectives of that member's work; and the respective roles of, and the nature, timing and extent of communication between that member and other members of the engagement team. • Evaluating the adequacy of that member's work including the relevance and reasonableness of that member's findings or conclusions and their consistency with other audit evidence?		
Para 18	Consultation Whether the engagement partner has: a) Taken responsibility for the engagement team undertaking appropriate consultation on difficult or contentious matters; b) Been satisfied that members of the engagement team have undertaken appropriate consultation during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm;		

	c) Been satisfied that the nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted; and d) Determined that conclusions resulting from such consultations have been implemented? [Note: Effective consultation on significant technical, ethical, and other matters within the firm or, where applicable, outside the firm can be achieved when those consulted: • Are given all the relevant facts that will enable them to provide informed advice; and • Have appropriate knowledge, seniority and experience. (Para A21)] [Note: It may be appropriate for the engagement team to consult outside the firm, for example, where the firm lacks appropriate internal resources. They may take advantage of advisory services provided by other firms, professional and regulatory bodies, or commercial organisations that provide relevant quality control services. (Para A22)]		
	Engagement Quality Control Review		
Para 19	For audits of financial statements of listed entities, and those other audit engagements, if any, for which the firm has determined that an engagement quality control review is required, whether the engagement partner has: a) Determined that an engagement quality control reviewer has been appointed; b) Discussed significant matters arising during the audit engagement, including those identified during the engagement quality control review, with the engagement quality control reviewer; and c) Not dated the auditor's report until the completion of the engagement quality control review? [Note: SA 700(Revised) requires the auditor's report to be dated no earlier than the date on which the auditor has obtained sufficient appropriate evidence on which to base the auditor's opinion on the financial statements. In cases of an audit of financial statements of listed entities or when an engagement meets the criteria for an engagement quality control review, such a review assists the auditor in determining whether sufficient appropriate evidence has been obtained. (Para A23)] [Note: Conducting the engagement quality control review in a timely manner at appropriate stages during the engagement allows significant matters to be promptly resolved to the engagement quality control reviewer's satisfaction on or before the date of the auditor's report. (Para A24)]		

Checklist on Standards on Auditing

	[Note: Remaining alert for changes in circumstances allows the engagement partner to identify situations in which an engagement quality control review is necessary, even though at the start of the engagement, such a review was not required. (Para A26)] [Note: In addition to the audits of financial statements of listed entities, an engagement quality control review is required for such audit engagements also that meet the criteria established by the firm that subjects engagements to an engagement quality control review. In some cases, none of the firm's audit engagements may meet the criteria that would subject them to such a review. (Para A30)]		
Para 20	Whether the engagement quality control reviewer has performed an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the auditor's report, through the following: - Discussion of significant matters with the engagement partner; - Review of the financial statements and the proposed auditor's report; - Review of selected audit documentation relating to the significant judgments the engagement team made and the conclusions it reached; and - Evaluation of the conclusions reached in formulating the auditor's report and consideration of whether the proposed auditor's report is appropriate? [Note: The extent of the engagement quality control review may depend, among other things, on the complexity of the audit engagement, whether the entity is a listed entity, and the risk that the auditor's report might not be appropriate in the circumstances. The performance of an engagement quality control review does not reduce the responsibilities of the engagement partner for the audit engagement and its performance. (Para A27)] [Note: When SA 701 applies, the conclusions reached by the engagement team in formulating the auditor's report include determining: - The key audit matters to be included in the auditor's report; - The key audit matters that will not be communicated in the auditor's report in accordance with paragraph 14 of SA 701 if any; and - If applicable, depending on the facts and circumstances of the entity and the audit, that there are no key audit matters to communicate in the auditor's report. In addition, the review of the proposed auditor's report includes consideration of the proposed wording to be included in the Key Audit Matters section. (Para A28)]		

Para 21	Whether the entity being audited is a listed entity? If yes, whether the engagement quality control reviewer, on performing an engagement quality control review, has considered the following: - The engagement team's evaluation of the firm's independence in relation to the audit engagement; - Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and - Whether audit documentation selected for review reflects the work performed in relation to the significant judgments made and supports the conclusions reached? [Note: Other matters relevant to evaluating the significant judgments made by the engagement team that may be considered in an engagement quality control review of a listed entity include: - Significant risks identified during the engagement in accordance with SA 315 and the responses to those risks in accordance with SA 330, including the engagement team's assessment of, and response to, the risk of fraud in accordance with SA 240. - Judgments made, particularly with respect to materiality and significant risks. - The significance and disposition of corrected and uncorrected misstatements identified during the audit. - The matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies. These other matters, depending on the circumstances, may also be applicable for engagement quality control reviews for audits of financial statements of other entities.(Para A29)]		
Para 22	Differences of Opinion In case of differences of opinion within the engagement team, with those consulted, or, where applicable, between the engagement partner and the engagement quality control reviewer, whether the engagement team has followed the firm's policies and procedures for dealing with and resolving differences of opinion?		
Para 23	Monitoring Whether the engagement partner has considered the results of the firm's monitoring process as evidenced in the latest information circulated by the firm and, if applicable, other network firms and Whether deficiencies noted in that information affected the audit engagement?		

Checklist on Standards on Auditing

	[Note: In considering deficiencies that may affect the audit engagement, the engagement partner may have regard to measures the firm took to rectify the situation that the engagement partner considers are sufficient in the context of that audit. (Para A34) A deficiency in the firm's system of quality control does not necessarily indicate that a particular audit engagement was not performed in accordance with professional standards and regulatory and legal requirements, or that the auditor's report was not appropriate. (Para A35)]		
	Documentation		
Para 24	Whether following matters have been documented by auditor: - Issues identified with respect to compliance with relevant ethical requirements and how they were resolved. - Conclusions on compliance with independence requirements that apply to the audit engagement, and any relevant discussions with the firm that support these conclusions. - Conclusions reached regarding the acceptance and continuance of client relationships and audit engagements. - The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the audit engagement? [Note: Documentation of consultations with other professionals that involve difficult or contentious matters that is sufficiently complete and detailed contributes to an understanding of: - The issue on which consultation was sought; and - The results of the consultation, including any decisions taken, the basis for those decisions and how they were implemented. (Para A36)]		
Para 25	Whether the engagement quality control reviewer has documented, for the audit engagement reviewed, the following: - The procedures required by the firm's policies on engagement quality control review have been performed; - The engagement quality control review has been completed on or before the date of the auditor's report; and - The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions they reached were not appropriate?		

SA 230, Audit Documentation

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide to SA 230, “Audit Documentation” (Revised 2022 Edition).

Scope

This Standard on Auditing (SA) deals with the auditor's responsibility to prepare audit documentation for an audit of financial statements. It is to be adapted as necessary in the circumstances when applied to audits of other historical financial information. The specific documentation requirements of other SAs do not limit the application of this SA. Laws or regulations may establish additional documentation requirements.

Nature and Purposes of Audit Documentation

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

- (a) Evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor; 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:

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

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2009.

Objective

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

- (a) A sufficient and appropriate record of the basis for the auditor's report; and
- (b) Evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements

Definitions

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).

Audit file – One or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.

Experienced auditor – An individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of:

- (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 relevant to the entity's industry.

Para No.	Particulars	Response [Yes, No, NA] <i>(give comments wherever required)</i>	WP Reference
Para 7	Timely Preparation of Audit Documentation Whether all the audit documentation has been prepared on a timely basis?		
Documentation of the Audit Procedures Performed and Audit Evidence Obtained			
Para 8	Form, Content and Extent of Audit Documentation Whether the auditor has prepared audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit to understand: - The nature, timing and extent of the audit procedures performed to comply with the SAs and applicable legal and regulatory requirements; - The results of the audit procedures performed, and the audit evidence obtained; and - Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions? [Note: The form, content and extent of audit documentation depend on factors such as: - The size and complexity of the entity. - The nature of the audit procedures to be performed. - The identified risks of material misstatement. - The significance of the audit evidence obtained. - The nature and extent of exceptions identified. - The need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or audit evidence obtained. - The audit methodology and tools used.(Para A2)] [Note: The audit documentation for the audit of a smaller entity is generally less extensive than that for the audit of a larger entity. When preparing audit documentation, the auditor of a smaller entity may also find it helpful and efficient to record various aspects of the audit together in a single document, with cross references to supporting		

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	working papers as appropriate. Examples of matters that may be documented together in the audit of a smaller entity include the understanding of the entity and its internal control, the overall audit strategy and audit plan, materiality, determined in accordance with SA 320, assessed risks, significant matters noted during the audit, and conclusions reached. (Para A16 and A17)]		
Para A8	Whether documentation of significant matters include: • Matters that give rise to significant risks as defined in SA 315. • Circumstances that cause the auditor significant difficulty in applying necessary audit procedures. • Findings that could result in a modification to the audit opinion or inclusion of Emphasis of Matter paragraph in auditor's report. • Results of audit procedures indicating (a) that the financial statements could be materially misstated, or (b) a need to revise the auditor's previous assessment of the risks of material misstatement and the auditor's responses to those risks?		
Para A10	Whether documentation of significant professional judgements include: • The rationale for the auditor's conclusion when a requirement provides that the auditor 'shall consider' certain information or factors, and that consideration is significant in the context of the particular engagement. • Basis for auditor's conclusion on the reasonableness of areas of subjective judgement. • Basis for auditor's conclusion about the authenticity of a document when further investigation is undertaken in response to conditions identified during the audit that caused the auditor to believe that the document may not be authentic. • If SA 701 is applicable, then determination of Key Audit Matters or the determination that there is no Key Audit Matters to be communicated?		
Para 9	While documenting the nature, timing and extent of audit procedures performed, whether the auditor has recorded: • The identifying characteristics of the specific items or matters tested; • Who performed the audit work and the date such work was completed; and • Who reviewed the audit work performed and the date and extent of such review?		
Para 10	Whether auditor has documented discussions of significant matters		

	with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place? [Note: The documentation is not limited to records prepared by the auditor but may include other appropriate records such as minutes of meetings prepared by the entity's personnel and agreed by the auditor. Others with whom the auditor may discuss significant matters may include other personnel within the entity, and external parties, such as persons providing professional advice to the entity. (Para A14)]		
Para 11	Where the auditor identified information that is inconsistent with the auditor's final conclusion regarding a significant matter, whether the auditor has documented how the auditor addressed the inconsistency? [Note: The requirement to document how the auditor addressed inconsistencies in information does not imply that the auditor needs to retain documentation that is incorrect or superseded. (Para A15)]		
Para 12	Departure from a Relevant Requirement Where auditor has departed from relevant requirement in a SA in exceptional circumstances, whether the auditor has documented the reason for departure and alternate procedures performed to achieve the aim of that requirement?		
Para 13	Matters Arising after the Date of Auditor's Report If in exceptional circumstances, additional or new procedures have been performed or auditor draws new conclusion after date of auditor's report, whether the auditor has documented following: • The circumstances encountered; • The new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report; and • When and by whom the resulting changes to audit documentation were made and reviewed?		
Para 14	Assembly of Final Audit File Whether the auditor has assembled the audit documentation in an audit file and completed the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report? [Note: After the assembly of the final audit file has been completed, the auditor shall not delete or discard audit documentation of any nature before the end of its retention period. (Para 15)]		
Para 16	Where any modification is done to audit documentation or added any new audit documentation after the assembly of final audit file is		

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	completed, whether the auditor has documented following: • Specific reasons for making them. • When and by whom they were made and reviewed?		
	[Note: Auditor can refer specific documentation requirements in other SAs [Refer FAQ 37 of Implementation Guide to Standard on Auditing (SA) 230, Audit Documentation (Revised 2022 Edition)]		

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

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard on Auditing ('SA') have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the audit working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with the auditor's responsibilities relating to fraud in an audit of financial statements. Specifically, it expands on how SA 315 and SA 330 are to be applied in relation to risks of material misstatement due to fraud.

Effective date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2009.

Objectives

The objectives of the auditor are:

- To identify and assess the risk of material misstatement in the financial statements due to fraud;
- To obtain sufficient appropriate audit evidence about the assessed risk of material misstatement due to fraud, through designing and implementing appropriate responses;
- To respond appropriately to identified or suspected fraud

Definitions

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.

Fraud risk factors – Events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Responsibilities of the Auditor

The auditor conducting an audit in accordance with SAs is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. As described in SA 200, owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may 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 sophisticated and carefully organized schemes designed to conceal it, such as forgery, deliberate failure to record transactions, or intentional misrepresentations being made to the auditor.

Such attempts at concealment may be even more difficult to detect when accompanied by collusion. Collusion may cause the auditor to believe that audit evidence is persuasive when it is, in fact, false. The auditor's ability to detect a fraud depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. While the auditor may be able to identify potential opportunities for fraud to be perpetrated, it is difficult for the auditor to determine whether misstatements in judgment areas such as accounting estimates are caused by fraud or error.

Furthermore, the risk of the auditor not detecting a material misstatement resulting from management fraud is greater than for employee fraud, because management is frequently in a position to directly or indirectly manipulate accounting records, present fraudulent financial information or override control procedures designed to prevent similar frauds by other employees.

When obtaining reasonable assurance, the auditor is responsible to maintain professional skepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist.

Para No.	Particulars	Response [Yes / No / NA] (give comments wherever required)	WP Reference
Professional skepticism			
Para 12	In accordance with SA 200, auditor shall maintain professional skepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of honesty and integrity of the entity's management and those charged with governance. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Maintaining professional skepticism requires an ongoing questioning of whether the information and audit evidence obtained suggests that a material misstatement due to fraud may exist. It includes considering the reliability of the information to be used as audit evidence and the controls over its preparation and maintenance where relevant.		
Para 13, 14	Are conditions identified during the audit causing the auditor to believe that the records and documents furnished by the management may not be authentic or that the terms contained in any document furnished by the management have been modified but not disclosed to the auditor? If answer to the above question is 'Yes', please specify actions taken and mitigation steps, considering the guidance below and possible steps: ○ Investigations relating to such condition/documentation. ○ Obtaining a direct confirmation from the third party in respect of such documentation. ○ Involvement of an expert to assess the authenticity of the documentation furnished. [Note: An audit performed in accordance with SAs rarely involves the authentication of documents, nor is the auditor trained as or expected to be an expert in such authentication. However, when the auditor identifies conditions that cause the auditor to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, possible procedures to investigate further may include: ○ Confirming directly with the third party. ○ Using the work of an expert to assess the document's authenticity (Para A9)] Whether responses to the auditor inquiries of management or those charged with governance are inconsistent?		

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	If yes, whether the auditor has investigated these inconsistencies? Please document the investigation undertaken and result of such investigation.		
Discussion Among the Engagement Team			
Para 15	Has a Risk Assessment and Planning Discussion (RAPD) been carried out amongst the engagement team members as required by SA 315? Whether the RAPD included discussion on susceptibility of the financial statements to material misstatement due to fraud?		
Risk Assessment Procedures and Related Activities			
Para 17	Has the auditor made enquiries relating to: (a) Whether management has made any assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments (b) Whether management has established a process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention, or whether management has established a process for identifying classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist (c) Whether management has communicated to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity (d) Whether management has communicated its views on business practices and ethical behavior to the entity's employees.		
Para 18	Has the auditor made inquiries of management, and others within the entity as appropriate, to determine whether the persons to whom such enquires were directed have knowledge of any actual, suspected or alleged fraud affecting the entity? [Note: Examples of others within the entity to whom the auditor may direct inquiries about the existence or suspicion of fraud include: • Operating personnel not directly involved in the financial reporting process. • Employees with different levels of authority. • Employees involved in initiating, processing or recording complex or unusual transactions and those who supervise or monitor such employees. • In-house legal counsel. • Chief ethics officer or equivalent person. • The person or persons charged with dealing with allegations of fraud. (Para A16)		

	Management is often in the best position to perpetrate fraud. Accordingly, when evaluating management's responses to inquiries with an attitude of professional skepticism, the auditor may judge it necessary to corroborate responses to inquiries with other information. (Para A17)]		
Para 19	Where the entity has an internal audit function, did the auditor make enquiries with internal audit to determine whether it has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain the views of internal audit about the risks of fraud?		
Para 20	Where those charged with governance are not involved in managing the entity, has the auditor obtained an understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks? [Note: An understanding of the oversight exercised by those charged with governance may provide insights regarding the susceptibility of the entity to management fraud, the adequacy of internal control over risks of fraud, and the competency and integrity of management. The auditor may obtain this understanding in a number of ways, such as by attending meetings where such discussions take place, reading the minutes from such meetings or making inquiries of those charged with governance (Para A20)] Considerations Specific to Smaller Entities In some cases, all of those charged with governance are involved in managing the entity. This may be the case in a small entity where a single owner manages the entity and no one else has a governance role. In these cases, there is ordinarily no action on the part of the auditor because there is no oversight separate from management (Para A21)]		
Para 21	Has the auditor made inquiries of those charged with governance to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity? Whether the auditor has corroborated these inquiries with the responses to the inquiries of management?		
Para 22, 34	Has the auditor identified any unusual or unexpected relationships while performing analytical procedures particularly with regards to revenue? If yes, whether evaluation of such unusual or unexpected relationships indicates any risk of material misstatement due to fraud? Is auditor's evaluation of analytical procedures performed, while forming an overall conclusion as to whether the financial statements as a whole are consistent with the auditor's understanding of the entity and its environment, indicate a previously unrecognized risk of material misstatement due to fraud? [Note: Determining which particular trends and relationships may indicate a risk of material misstatement due to fraud requires professional judgment. Unusual relationships involving year-end		

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	revenue and income are particularly relevant. These might include, for example: uncharacteristically large amounts of income being reported in the last few weeks of the reporting period or unusual transactions; or income that is inconsistent with trends in cash flow from operations.(Para A49)]		
Para 23	Whether any other information obtained during the course of audit indicates risk of material misstatement due to fraud? [Note: In addition to information obtained from applying analytical procedures, other information obtained about the entity and its environment may be helpful in identifying the risk of material misstatement due to fraud. The discussion among team members may provide information that is helpful in identifying such risks. In addition, information obtained from the auditor's client acceptance and retention processes, and experience gained on other engagements performed for the entity, for example engagements to review interim financial information, may be relevant in the identification of the risks of material misstatement due to fraud.(Para A22)]		
Para 24	Whether the evaluation of information obtained from the other risk assessment procedures and related activities performed, indicates that one or more fraud risk factors are present? [Note: The fact that fraud is usually concealed can make it very difficult to detect. Nevertheless, the auditor may identify events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud (fraud risk factors). For example: • The need to meet expectations of third parties to obtain additional equity financing may create pressure to commit fraud; • The granting of significant bonuses if unrealistic profit targets are met may create an incentive to commit fraud; and • A control environment that is not effective may create an opportunity to commit fraud. (Para A23) Examples of fraud risk factors related to fraudulent financial reporting and misappropriation of assets are presented in Appendix 1 to this checklist. These illustrative risk factors are classified based on the three conditions that are generally present when fraud exists: • An incentive or pressure to commit fraud; • A perceived opportunity to commit fraud; and • An ability to rationalize the fraudulent action. (Para A25) Considerations Specific to Smaller Entities In the case of a small entity, some or all of these considerations may be inapplicable or less relevant. For example, a smaller entity may not have a written code of conduct but, instead, may have developed a culture that emphasizes the importance of integrity and ethical behavior through oral communication and by management example. Domination of management by a single individual in a small entity does not generally,		

	in and of itself, indicate a failure by management to display and communicate an appropriate attitude regarding internal control and the financial reporting process. In some entities, the need for management authorization can compensate for otherwise deficient controls and reduce the risk of employee fraud. However, domination of management by a single individual can be a potential weakness since there is an opportunity for management override of controls. (Para A27)]		
Identification and Assessment of the Risks of Material Misstatement Due to Fraud			
Para 25, 27	Has the auditor identified and assessed 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? Have the risks of material misstatements due to fraud been considered as significant risks and has the auditor obtained an understanding of the entity's related controls, including control activities relevant to such risks?		
Para 26, 47	Has the auditor considered presumption of fraud risk in revenue recognition while identifying and assessing the risk of material misstatement due to fraud? If answer to above is Yes, has the auditor evaluated which types of revenue, revenue transactions or assertions give rise to fraud risks? If answer to above is No, has the auditor documented the rationale or reasons for concluding absence of fraud risks in revenue recognition? [Note: Material misstatement due to fraudulent financial reporting relating to revenue recognition often results from an overstatement of revenues through, for example, premature revenue recognition or recording fictitious revenues. It may result also from an understatement of revenues through, for example, improperly shifting revenues to a later period. (Para A28) The risks of fraud in revenue recognition may be greater in some entities than others. For example, there may be pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition in the case of listed entities when, for example, performance is measured in terms of year-over-year revenue growth or profit. Similarly, for example, there may be greater risks of fraud in revenue recognition in the case of entities that generate a substantial portion of revenues through cash sales. (Para A29) The presumption that there are risks of fraud in revenue recognition may be rebutted. For example, the auditor may conclude that there is no risk of material misstatement due to fraud relating to revenue recognition in the case where there is a single type of simple revenue transaction, for example, leasehold revenue from a single unit rental property (Para A30)]		

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Responses to the Assessed Risk of Material Misstatement Due to Fraud			
Para 28	Has the auditor determined overall responses to address the assessed risks of material misstatement due to fraud at the financial statement level in accordance with SA 330?		
Para 29	In determining overall responses to address the assessed risks of material misstatement due to fraud at the financial statement level, - Has the auditor assigned and supervised personnel taking into account knowledge, skills and ability of individuals? [Note: The auditor may respond to identified risks of material misstatement due to fraud by, for example, assigning additional individuals with specialized skill and knowledge, such as forensic and IT experts, or by assigning more experienced individuals to the engagement. (Para A34)] The extent of supervision reflects the auditor's assessment of risks of material misstatement due to fraud and the competencies of the engagement team members performing the work (Para A35)] - Has the auditor evaluated the selection and application of accounting policies by the entity, particularly those related to subjective measurements and complex transactions which may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings? - Whether an element of unpredictability has been incorporated in the selection of the nature, timing and extent of audit procedures? [Note: Incorporating an element of unpredictability in the selection of the nature, timing and extent of audit procedures to be performed is important as individuals within the entity who are familiar with the audit procedures normally performed on engagements may be more able to conceal fraudulent financial reporting. This can be achieved by, for example: - Performing substantive procedures on selected account balances and assertions not otherwise tested due to their materiality or risk. - Adjusting the timing of audit procedures from that otherwise expected. - Using different sampling methods - Performing audit procedures at different locations or at locations on an unannounced basis. (Para A36)]		
Para 30	Has the auditor designed and performed further audit procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement due to fraud at the assertion level? [Note: The auditor's responses to address the assessed risks of material misstatement due to fraud at the assertion level may include changing the nature, timing, and extent of audit procedures in the following ways:		

	• The nature of audit procedures to be performed may need to be changed to obtain audit evidence that is more reliable and relevant or to obtain additional corroborative information. This may affect both the type of audit procedures to be performed and their combination. For example: ○ Physical observation or inspection of certain assets may become more important or the auditor may choose to use computer-assisted audit techniques to gather more evidence about data contained in significant accounts or electronic transaction files. ○ The auditor may design procedures to obtain additional corroborative information. For example, if the auditor identifies that management is under pressure to meet earnings expectations, there may be a related risk that management is inflating sales by entering into sales agreements that include terms that preclude revenue recognition or by invoicing sales before delivery. In these circumstances, the auditor may, for example, design external confirmations not only to confirm outstanding amounts, but also to confirm the details of the sales agreements, including date, any rights of return and delivery terms. In addition, the auditor might find it effective to supplement such external confirmations with inquiries of non-financial personnel in the entity regarding any changes in sales agreements and delivery terms. • The timing of substantive procedures may need to be modified. The auditor may conclude that performing substantive testing at or near the period end better addresses an assessed risk of material misstatement due to fraud. The auditor may conclude that, given the assessed risks of intentional misstatement or manipulation, audit procedures to extend audit conclusions from an interim date to the period end would not be effective. In contrast, because an intentional misstatement—for example, a misstatement involving improper revenue recognition—may have been initiated in an interim period, the auditor may elect to apply substantive procedures to transactions occurring earlier in or throughout the reporting period. • The extent of the procedures applied reflects the assessment of the risks of material misstatement due to fraud. For example, increasing sample sizes or performing analytical procedures at a more detailed level may be appropriate. Also, computer-assisted audit techniques may enable more extensive testing of electronic transactions and account files. Such techniques can be used to select sample transactions from key electronic files, to sort transactions with specific characteristics, or to test an entire population instead of a sample. (Para A37) If the auditor identifies a risk of material misstatement due to fraud that affects inventory quantities, examining the entity's inventory records may help to identify locations or items that require specific attention during or after the physical inventory count. Such a review may lead to a decision to observe inventory counts at certain locations on an unannounced basis or to conduct inventory counts at all locations on the		
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	same date. (Para A38) Appendix 2 of this SA: Examples of responses to the auditor's assessment of the risk of material misstatements due to misappropriation of assets are as follows: ○ Counting cash or securities at or near year-end. ○ Confirming directly with customers the account activity (including credit memo and sales return activity as well as dates payments were made) for the period under audit. ○ Analyzing recoveries of written-off accounts. ○ Analyzing inventory shortages by location or product type. ○ Comparing key inventory ratios to industry norm. ○ Reviewing supporting documentation for reductions to the perpetual inventory records. ○ Performing a computerized match of the vendor list with a list of employees to identify matches of addresses or phone numbers. ○ Performing a computerized search of payroll records to identify duplicate addresses, employee identification or taxing authority numbers or bank accounts. ○ Reviewing personnel files for those that contain little or no evidence of activity, for example, lack of performance evaluations. ○ Analyzing sales discounts and returns for unusual patterns or trends. ○ Confirming specific terms of contracts with third parties. ○ Obtaining evidence that contracts are being carried out in accordance with their terms. ○ Reviewing the propriety of large and unusual expenses. ○ Reviewing the authorization and carrying value of senior management and related party loans. ○ Reviewing the level and propriety of expense reports submitted by senior management.]		
Audit Procedures Responsive to Risks Related to Management Override of Controls			
	[Note: 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 that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk. (Para 31)]		
Para 32 (a)	• Has the auditor tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements? • Has the auditor: ○ Performed inquiries with individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments?		

	○ Selected journal entries and other adjustments made at the end of a reporting period? ○ Considered the need to test journal entries and other adjustments throughout the period? [Note: Material misstatement of financial statements due to fraud often involves the manipulation of the Financial reporting process by recording inappropriate or unauthorized journal entries. This may occur throughout the year or at period end, or by management making adjustments to amounts reported in the financial statements that are not reflected in journal entries, such as through consolidating adjustments and reclassifications (Para A41)]		
Para 32 (b)	• Whether the review of accounting estimates for biases and evaluation of circumstances producing bias is been done and whether such evaluation and review represents a risk of material misstatement due to fraud? • Has the auditor performed the following: ○ Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. If so, has the auditor re-evaluated the accounting estimates taken as a whole; and ○ Performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in the financial statements of the prior year?		
Para 32 (c)	• Has the auditor come across any significant transactions entered into by the entity that are outside the normal course of business for the entity, or that otherwise appears to be unusual given the auditor's understanding of the entity and its environment and other information obtained during the audit? • If yes, has the auditor evaluated the business rationale of such significant and unusual transactions and whether such evaluation suggests that these transactions may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets? [Note: Indicators that may suggest that significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual, may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets include: ○ The form of such transactions appears overly complex (for example, the transaction involves multiple entities within a consolidated group or multiple unrelated third parties). ○ Management has not discussed the nature of and accounting for such transactions with those charged with governance of the		

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	entity, and there is inadequate documentation. ○ Management is placing more emphasis on the need for a particular accounting treatment than on the underlying economics of the transaction. ○ Transactions that involve non-consolidated related parties, including special purpose entities, have not been properly reviewed or approved by those charged with governance of the entity. ○ The transactions involve previously unidentified related parties or parties that do not have the substance or the financial strength to support the transaction without assistance from the entity under audit.(Para A47)]		
Para 33	In order to respond to the identified risks of management override of controls, does the auditor consider it appropriate to perform other audit procedures in addition to those specifically referred to above?		
Evaluation of Audit Evidence			
Para 34	Has the auditor evaluated whether analytical procedures that are performed when forming an overall conclusion as to whether the financial statements as a whole are consistent with the auditor's understanding of the entity and its environment indicate a previously unrecognized risk of material misstatement due to fraud? [Note: Determining which particular trends and relationships may indicate a risk of material misstatement due to fraud requires professional judgment. Unusual relationships involving year-end revenue and income are particularly relevant. These might include, for example: uncharacteristically large amounts of income being reported in the last few weeks of the reporting period or unusual transactions; or income that is inconsistent with trends in cash flow from operations(Para A49)]		
Para 35	Has the auditor identified any misstatement? If answer to above is 'Yes', has the auditor evaluated whether such a misstatement is indicative of fraud? If there is such an indication, has the auditor evaluated the implications of the misstatement in relation to other aspects of the audit, particularly the reliability of management representations, recognizing that an instance of fraud is unlikely to be an isolated occurrence? [Note: Since fraud involves incentive or pressure to commit fraud, a perceived opportunity to do so or some rationalization of the act, an instance of fraud is unlikely to be an isolated occurrence. Accordingly, misstatements, such as numerous misstatements at a specific location even though the cumulative effect is not material, may be indicative of a risk of material misstatement due to fraud(Para A50)]		
Para 36	Where the auditor has identified any misstatement, whether material or not, and the auditor has reasons to believe that it is or it may be the result of fraud and that management (in particular, senior management)		

	is involved, has the auditor re-evaluated the assessment of the risks of material misstatement due to fraud and its resulting impact on the nature, timing and extent of audit procedures to respond to the assessed risks? For the cases explained above, has the auditor also considered whether circumstances or conditions indicate possible collusion involving employees, management or third parties when re-considering the reliability of evidence previously obtained? [Note: The implications of identified fraud depend on the circumstances. For example, an otherwise insignificant fraud may be significant if it involves senior management. In such circumstances, the reliability of evidence previously obtained may be called into question, since there may be doubts about the completeness and truthfulness of representations made and about the genuineness of accounting records and documentation. There may also be a possibility of collusion involving employees, management or third parties. (Para A50)]		
Para 37	Has the auditor evaluated the implications for the audit in case the auditor confirms that or is unable to conclude whether, the financial statements are materially misstated as a result of fraud? [Note: SA 450 and SA 700 establish requirements and provide guidance on the evaluation and disposition of misstatements and the effect on the auditor's opinion in the auditor's report (Para A52)]		
	Auditor Unable to Continue the Engagement		
Para 38	Are there any exceptional circumstances, as a result of a misstatement resulting from fraud or suspected fraud, that brings into questions ability to continue performing the audit? If the answer to the above is 'yes', has the auditor considered: (a) Determining the professional and legal responsibilities applicable in the circumstances, including the requirement for the auditor to report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities; (b) Withdrawing from the engagement, if appropriate, where withdrawal from the engagement is legally permitted; and (c) Where the auditor elects to withdraw from the engagement, has the auditor : (i) Discussed 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) Determined 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. [Note: Examples of exceptional circumstances that may arise and that		

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	may bring into question the auditor's ability to continue performing the audit include: (a) The entity does not take appropriate action regarding fraud that the auditor considers necessary in the circumstances, even when the fraud is not material to the financial statements; (b) The auditor's consideration of the risks of material misstatement due to fraud and the results of audit tests indicate a significant risk of material and pervasive fraud; or (c) The auditor has significant concern about the competence or integrity of management or those charged with governance. (Para A53) Because of the variety of the circumstances that may arise, it is not possible to describe definitively when withdrawal from an engagement is appropriate. Factors that affect the auditor's conclusion include the implications of the involvement of a member of management or of those charged with governance (which may affect the reliability of management representations) and the effects on the auditor of a continuing association with the entity. (Para A54) The auditor has professional and legal responsibilities in such circumstances and these responsibilities may vary under different legislations and regulations and, accordingly, the clients. Under some legislations/ regulations, for example, the auditor may be entitled to, or required to, make a statement or report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities. Given the exceptional nature of the circumstances and the need to consider the legal requirements, the auditor may consider it appropriate to seek legal advice when deciding whether to withdraw from an engagement and in determining an appropriate course of action, including the possibility of reporting to shareholders, regulators or others. (Para A55) In some cases, the option of withdrawing from the engagement may not be available to the auditor due to the nature of the terms of appointment or public interest considerations. (Para A56)]		
Management Representations			
Para 39	Has the auditor obtained written representations from the management and, where applicable, those charged with governance, stating that: (a) They acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; (b) They have disclosed to the auditor the results of their assessment of the risk that the financial statements may be materially misstated as a result of fraud; (c) They have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:		

	(i) Management; (ii) Employees who have significant roles in internal control; or (iii) Others where the fraud could have a material effect on the financial statements; and (d) They have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. [Note: SA 580, establishes requirements and provides guidance on obtaining appropriate representations from management and where appropriate those charged with governance in the audit. In addition to acknowledging that they have fulfilled their responsibility for the preparation of the financial statements, it is important that, irrespective of the size of the entity, management and where appropriate those charged with governance acknowledge their responsibility for internal control designed, implemented and maintained to prevent and detect fraud. (Para A57)] Because of the nature of fraud and the difficulties encountered by auditors in detecting material misstatements in the financial statements resulting from fraud, it is important that the auditor obtains a written representation from management and where appropriate those charged with governance confirming that they have disclosed to the auditor: (a) The results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; and (b) Their knowledge of actual, suspected or alleged fraud affecting the entity. (Para A58)]		
Communications to Management and with Those Charged with Governance			
Para 40	If a fraud has been identified or any information has been obtained that indicates that a fraud may exist, has the auditor communicated such matter, on a timely basis, to the appropriate level of management, in order to inform those with primary responsibility for the prevention and detection of fraud? [Note: When the auditor has obtained evidence that fraud exists or may exist, it is important that the matter be brought to the attention of the appropriate level of management as soon as practicable. This is so even if the matter might be considered inconsequential (for example, a minor defalcation by an employee at a low level in the entity's organization). The determination of which level of management is the appropriate one is a matter of professional judgment and is affected by such factors as the likelihood of collusion and the nature and magnitude of the suspected fraud. Ordinarily, the appropriate level of management is at least one level above the persons who appear to be involved with the suspected fraud. (Para A59)]		
Para	In situations where the auditor identified or suspected fraud involving		

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41	(a) management or (b) employees who have significant roles in internal control or (c) others where the fraud results in material misstatement in the financial statements, has the auditor communicated such matters/suspensions to those charged with governance and discussed the nature, timing and extent of audit procedures necessary to complete the audit? [Note: The auditor's communication with those charged with governance may be made orally or in writing. SA 260 (Revised) identifies factors the auditor considers in determining whether to communicate orally or in writing. Due to the nature and sensitivity of fraud involving senior management, or fraud that results in a material misstatement in the financial statements, the auditor reports such matters on a timely basis and may consider it necessary to also report such matters in writing; (Para A60) In some cases, the auditor may consider it appropriate to communicate with those charged with governance when the auditor becomes aware of fraud involving employees other than management that does not result in a material misstatement. Similarly, those charged with governance may wish to be informed of such circumstances. The communication process is assisted if the auditor and those charged with governance agree at an early stage in the audit about the nature and extent of the auditor's communications in this regard. (Para A61) In the exceptional circumstances where the auditor has doubts about the integrity or honesty of management or those charged with governance, the auditor may consider it appropriate to obtain legal advice to assist in determining the appropriate course of action. (Para A62)]		
Para 42	Whether other matters related to fraud that are, in auditor's judgment, relevant to the responsibilities of those charged with governance, have been communicated to those charged with governance in accordance with SA 260 (Revised)? [Note: Other matters related to fraud to be discussed with those charged with governance of the entity may include, for example: • Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated. • A failure by management to appropriately address identified significant deficiencies in internal control, or to appropriately respond to an identified fraud. • The auditor's evaluation of the entity's control environment, including questions regarding the competence and integrity of management. • Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and		

	profitability. Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business (Para A63)]		
	Communication to Regulatory and Enforcement Authorities		
Para 43	If the auditor identifies or suspects a fraud, has the auditor determined whether there is a responsibility to report the occurrence or suspicion to a party outside the entity? [Note: The auditor's professional duty to maintain the confidentiality of client information may preclude reporting fraud to a party outside the client entity. However, the auditor's legal responsibilities vary by law & statute and, in certain circumstances; the duty of confidentiality may be overridden by statute, the law or courts of law. In some entities, for example, in case of audit of banks, the auditor has a statutory duty to report the occurrence of fraud to the supervisory authorities, i.e., the Reserve Bank of India, in terms of the latter's circular no. DBS.FGV.(F).No. BC/23.08.001/2001-02. Also, in some entities the auditor may have a duty to report misstatements to authorities in those cases where management and those charged with governance fail to take corrective action. (Para A64) The auditor may consider it appropriate to obtain legal advice to determine the appropriate course of action in the circumstances, the purpose of which is to ascertain the steps necessary in considering the public interest aspects of identified fraud. (Para A65) In some clients, requirements for reporting fraud, whether or not discovered through the audit process, may be subject to specific provisions of the audit mandate or related legislation or regulation. (Para A66)]		
Documentation			
Para 44	Does the auditor's documentation of the understanding of the entity and its environment and the assessment of the risks of material misstatement (as required by SA 315) include the following: - The significant decisions reached during the course of discussion among the engagement team members with respect to the susceptibility of the entity's financial statements to material misstatement due to fraud? - The identified and assessed risks of material misstatement due to fraud at the financial statement level and at the assertion level?		
Para 45	Does the auditor's documentation of the responses to the assessed risks of material misstatement (as required by SA 330) include the following: The overall responses to the assessed risks of material misstatement due to fraud at the financial statement level and the nature, timing and extent of audit procedures, and the linkage of those procedures		

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	with the assessed risks of material misstatement due to fraud at the assertion level? • The results of audit procedures including those designed to address the risk of management override of controls?		
Para 46	Whether all the communications about fraud made to management, those charged with governance, regulators and others has been properly documented?		
Para 47	Whether the rationale for concluding that the presumption of risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement has been properly documented?		

Appendix 1**Examples of Fraud Risk Factors**

The fraud risk factors identified in this Appendix are examples of such factors that may be faced by auditors in a broad range of situations. Separately presented are examples relating to the two types of fraud relevant to the auditor's consideration, i.e., fraudulent financial reporting and misappropriation of assets. For each of these types of fraud, the risk factors are further classified based on the three conditions generally present when material misstatements due to fraud occur: (a) incentives/pressures, (b) opportunities, and (c) attitudes/rationalizations. Although the risk factors cover a broad range of situations, they are only examples and, accordingly, the auditor may identify additional or different risk factors. Not all of these examples are relevant in all circumstances, and some may be of greater or lesser significance in entities of different size or with different ownership characteristics or circumstances. Also, the order of the examples of risk factors provided is not intended to reflect their relative importance or frequency of occurrence.

Risk Factors Relating to Misstatements Arising from Fraudulent Financial Reporting

The following are examples of risk factors relating to misstatements arising from fraudulent financial reporting:

Incentives/Pressures

Financial stability or profitability is threatened by economic, industry, or entity operating conditions, such as (or as indicated by):

- High degree of competition or market saturation, accompanied by declining margins.
- High vulnerability to rapid changes, such as changes in technology, product obsolescence, or interest rates.
- Significant declines in customer demand and increasing business failures in either the industry or overall economy.
- Operating losses making the threat of bankruptcy, foreclosure, or hostile takeover imminent.
- Recurring negative cash flows from operations or an inability to generate cash flows from operations while reporting earnings and earnings growth.
- Rapid growth or unusual profitability especially compared to that of other companies in the same industry.
- New accounting, statutory, or regulatory requirements.

Excessive pressure exists for management to meet the requirements or expectations of third parties due to the following:

- Profitability or trend level expectations of investment analysts, institutional investors, significant creditors, or other external parties (particularly expectations that are unduly aggressive or unrealistic), including expectations created by management in, for example, overly optimistic press releases or annual report messages.
- Need to obtain additional debt or equity financing to stay competitive— including financing of major research and development or capital expenditures.
- Marginal ability to meet exchange listing requirements or debt repayment or other debt covenant requirements.
- Perceived or real adverse effects of reporting poor financial results on significant pending transactions, such as business combinations or contract awards.

Information available indicates that the personal financial situation of management or those charged with governance is threatened by the entity's financial performance arising from the following:

- Significant financial interests in the entity.
- Significant portions of their compensation (for example, bonuses, stock options, and earn-out arrangements) being contingent upon achieving aggressive targets for stock price, operating results, financial position, or cash flow.
- Personal guarantees of debts of the entity.
- There is excessive pressure on management or operating personnel to meet financial targets established by those charged with governance, including sales or profitability incentive goals.

Opportunities

The nature of the industry or the entity's operations provides opportunities to engage in fraudulent financial reporting that can arise from the following:

- Significant related-party transactions not in the ordinary course of business or with related entities not audited or audited by another firm.
- A strong financial presence or ability to dominate a certain industry sector that allows the entity to dictate terms or conditions to suppliers or customers that may result in inappropriate or non-arm's-length transactions.
- Assets, liabilities, revenues, or expenses based on significant estimates that involve subjective judgments or uncertainties that are difficult to corroborate.
- Significant, unusual, or highly complex transactions, especially those close to period end that pose difficult "substance over form" questions.
- Significant operations located or conducted across international borders in jurisdictions where differing business environments and cultures exist.
- Use of business intermediaries for which there appears to be no clear business justification.
- Significant bank accounts or subsidiary or branch operations in tax haven jurisdictions for which there appears to be no clear business justification.

The monitoring of management is not effective as a result of the following:

- Domination of management by a single person or small group (in a non owner-managed business) without compensating controls.
- Oversight by those charged with governance over the financial reporting process and internal control is not effective.

There is a complex or unstable organizational structure, as evidenced by the following:

- Difficulty in determining the organization or individuals that have controlling interest in the entity.

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- Overly complex organizational structure involving unusual legal entities or managerial lines of authority.
- High turnover of senior management, legal counsel, or those charged with governance.

Internal control components are deficient as a result of the following:

- Inadequate monitoring of controls, including automated controls and controls over interim financial reporting (where external reporting is required).
- High turnover rates or employment of accounting, internal audit, or information technology staff that are not effective.
- Accounting and information systems that are not effective, including situations involving material weaknesses in internal control.

Attitudes/Rationalizations

- Communication, implementation, support, or enforcement of the entity's values or ethical standards by management, or the communication of inappropriate values or ethical standards, that are not effective.
- Non-financial management's excessive participation in or preoccupation with the selection of accounting policies or the determination of significant estimates.
- Known history of violations of securities laws or other laws and regulations, or claims against the entity, its senior management, or those charged with governance alleging fraud or violations of laws and regulations.
- Excessive interest by management in maintaining or increasing the entity's stock price or earnings trend.
- The practice by management of committing to analysts, creditors, and other third parties to achieve aggressive or unrealistic forecasts.
- Management failing to correct known material weaknesses in internal control on a timely basis.
- An interest by management in employing inappropriate means to minimize reported earnings for tax-motivated reasons.
- Low morale among senior management.
- The owner-manager makes no distinction between personal and business transactions.
- Dispute between shareholders in a closely held entity.
- Recurring attempts by management to justify marginal or inappropriate accounting on the basis of materiality.
- The relationship between management and the current or predecessor auditor is strained, as exhibited by the following:
 - Frequent disputes with the current or predecessor auditor on accounting, auditing, or reporting matters.
 - Unreasonable demands on the auditor, such as unrealistic time constraints regarding the completion of the audit or the issuance of the auditor's report.
 - Restrictions on the auditor that inappropriately limit access to people or information or the ability to communicate effectively with those charged with governance.

- Domineering management behavior in dealing with the auditor, especially involving attempts to influence the scope of the auditor's work or the selection or continuance of personnel assigned to or consulted on the audit engagement.

Risk Factors Arising from Misstatements Arising from Misappropriation of Assets

- Risk factors that relate to misstatements arising from misappropriation of assets are also classified according to the three conditions generally present when fraud exists: incentives/pressures, opportunities, and attitudes/rationalization. Some of the risk factors related to misstatements arising from fraudulent financial reporting also may be present when misstatements arising from misappropriation of assets occur. For example, monitoring of management and weaknesses in internal control that is not effective may be present when misstatements due to either fraudulent financial reporting or misappropriation of assets exist. The following are examples of risk factors related to misstatements arising from misappropriation of assets.

Incentives/Pressures

Personal financial obligations may create pressure on management or employees with access to cash or other assets susceptible to theft to misappropriate those assets. Adverse relationships between the entity and employees with access to cash or other assets susceptible to theft may motivate those employees to misappropriate those assets. For example, adverse relationships may be created by the following:

- Known or anticipated future employee layoffs.
- Recent or anticipated changes to employee compensation or benefit plans.
- Promotions, compensation, or other rewards inconsistent with expectations.

Opportunities

Certain characteristics or circumstances may increase the susceptibility of assets to misappropriation. For example, opportunities to misappropriate assets increase when there are the following:

- Large amounts of cash on hand or processed.
- Inventory items that are small in size, of high value, or in high demand.
- Easily convertible assets, such as bearer bonds, diamonds, or computer chips.
- Fixed assets which are small in size, marketable, or lacking observable identification of ownership.

Inadequate internal control over assets may increase the susceptibility of misappropriation of those assets. For example, misappropriation of assets may occur because there is the following:

- Inadequate segregation of duties or independent checks.
- Inadequate oversight of senior management expenditures, such as travel and other reimbursements.
- Inadequate management oversight of employees responsible for assets, for example, inadequate supervision or monitoring of remote locations.
- Inadequate job applicant screening of employees with access to assets.
- Inadequate record keeping with respect to assets.
- Inadequate system of authorization and approval of transactions (for example, in purchasing).
- Inadequate physical safeguards over cash, investments, inventory, or fixed assets.
- Lack of complete and timely reconciliations of assets.
- Lack of timely and appropriate documentation of transactions, for example, credits for merchandise returns.
- Lack of mandatory vacations for employees performing key control functions.

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- Inadequate management understanding of information technology, which enables information technology employees to perpetrate a misappropriation.
- Inadequate access controls over automated records, including controls over and review of computer systems event logs.

Attitudes/Rationalizations

- Disregard for the need for monitoring or reducing risks related to misappropriations of assets.
- Disregard for internal control over misappropriation of assets by overriding existing controls or by failing to correct known internal control deficiencies.
- Behavior indicating displeasure or dissatisfaction with the entity or its treatment of the employee.
- Changes in behavior or lifestyle that may indicate assets have been misappropriated.
- Tolerance of petty theft.

Appendix 2

Examples of Possible Audit Procedures to Address the Assessed Risks of Material Misstatement Due to Fraud

The following are examples of possible audit procedures to address the assessed risks of material misstatement due to fraud resulting from both fraudulent financial reporting and misappropriation of assets. Although these procedures cover a broad range of situations, they are only examples and, accordingly they may not be the most appropriate nor necessary in each circumstance. Also the order of the procedures provided is not intended to reflect their relative importance.

Consideration at the Assertion Level

Specific responses to the auditor's assessment of the risks of material misstatement due to fraud will vary depending upon the types or combinations of fraud risk factors or conditions identified, and the classes of transactions, account balances, disclosures and assertions they may affect.

The following are specific examples of responses:

- Visiting locations or performing certain tests on a surprise or unannounced basis. For example, observing inventory at locations where auditor attendance has not been previously announced or counting cash at a particular date on a surprise basis.
- Requesting that inventories be counted at the end of the reporting period or on a date closer to period end to minimize the risk of manipulation of balances in the period between the date of completion of the count and the end of the reporting period.
- Altering the audit approach in the current year. For example, contacting major customers and suppliers orally in addition to sending written confirmation, sending confirmation requests to a specific party within an organization, or seeking more or different information.
- Performing a detailed review of the entity's quarter-end or year-end adjusting entries and investigating any that appear unusual as to nature or amount.
- For significant and unusual transactions, particularly those occurring at or near year-end, investigating the possibility of related parties and the sources of financial resources supporting the transactions.
- Performing substantive analytical procedures using disaggregated data. For example, comparing sales and cost of sales by location, line of business or month to expectations developed by the auditor.

- Conducting interviews of personnel involved in areas where a risk of material misstatement due to fraud has been identified, to obtain their insights about the risk and whether, or how, controls address the risk.
- When other independent auditors are auditing the financial statements of one or more subsidiaries, divisions or branches, discussing with them the extent of work necessary to be performed to address the assessed risk of material misstatement due to fraud resulting from transactions and activities among these components.
- If the work of an expert becomes particularly significant with respect to a financial statement item for which the assessed risk of misstatement due to fraud is high, performing additional procedures relating to some or all of the expert's assumptions, methods or findings to determine that the findings are not unreasonable, or engaging another expert for that purpose.
- Performing audit procedures to analyse selected opening balance sheet accounts of previously audited financial statements to assess how certain issues involving accounting estimates and judgments, for example, an allowance for sales returns, were resolved with the benefit of hindsight.
- Performing procedures on account or other reconciliations prepared by the entity, including considering reconciliations performed at interim periods.
- Performing computer-assisted techniques, such as data mining to test for anomalies in a population.
- Testing the integrity of computer-produced records and transactions.
- Seeking additional audit evidence from sources outside of the entity being audited.

Specific Responses—Misstatement Resulting from Fraudulent Financial Reporting

Examples of responses to the auditor's assessment of the risks of material misstatement due to fraudulent financial reporting are as follows:

Revenue Recognition

- Performing substantive analytical procedures relating to revenue using disaggregated data, for example, comparing revenue reported by month and by product line or business segment during the current reporting period with comparable prior periods. Computer-assisted audit techniques may be useful in identifying unusual or unexpected revenue relationships or transactions.
- Confirming with customers certain relevant contract terms and the absence of side agreements, because the appropriate accounting often is influenced by such terms or agreements and basis for rebates or the period to which they relate are often poorly documented. For example, acceptance criteria, delivery and payment terms, the absence of future or continuing vendor obligations, the right to return the product, guaranteed resale amounts, and cancellation or refund provisions often are relevant in such circumstances.
- Inquiring of the entity's sales and marketing personnel or in-house legal counsel regarding sales or shipments near the end of the period and their knowledge of any unusual terms or conditions associated with these transactions.
- Being physically present at one or more locations at period end to observe goods being shipped or being readied for shipment (or returns awaiting processing) and performing other appropriate sales and inventory cut-off procedures.
- For those situations for which revenue transactions are electronically initiated, processed, and recorded, testing controls to determine whether they provide assurance that recorded revenue transactions occurred and are properly recorded.

Inventory Quantities

- Examining the entity's inventory records to identify locations or items that require specific attention during or after the physical inventory count.
- Observing inventory counts at certain locations on an unannounced basis or conducting inventory counts at all locations on the same date.
- Conducting inventory counts at or near the end of the reporting period to minimize the risk of inappropriate manipulation during the period between the count and the end of the reporting period.
- Performing additional procedures during the observation of the count, for example, more rigorously examining the contents of boxed items, the manner in which the goods are stacked (for example, hollow squares) or labeled, and the quality (that is, purity, grade, or concentration) of liquid substances such as perfumes or specialty chemicals. Using the work of an expert may be helpful in this regard.
- Comparing the quantities for the current period with prior periods by class or category of inventory, location or other criteria, or comparison of quantities counted with perpetual records.
- Using computer-assisted audit techniques to further test the compilation of the physical inventory counts—for example, sorting by tag number to test tag controls or by item serial number to test the possibility of item omission or duplication.

Management Estimates

- Using an expert to develop an independent estimate for comparison to management's estimate.
- Extending inquiries to individuals outside of management and the accounting department to corroborate management's ability and intent to carry out plans that are relevant to developing the estimate.

Specific Responses —Misstatements Due to Misappropriation of Assets

Differing circumstances would necessarily dictate different responses. Ordinarily, the audit response to an assessed risk of material misstatement due to fraud relating to misappropriation of assets will be directed toward certain account balances and classes of transactions. Although some of the audit responses noted in the two categories above may apply in such circumstances, the scope of the work is to be linked to the specific information about the misappropriation risk that has been identified. Examples of responses to the auditor's assessment of the risk of material misstatements due to misappropriation of assets are as follows:

- Counting cash or securities at or near year-end.
- Confirming directly with customers the account activity (including credit memo and sales return activity as well as dates payments were made) for the period under audit.
- Analysing recoveries of written-off accounts.
- Analysing inventory shortages by location or product type.
- Comparing key inventory ratios to industry norm.
- Reviewing supporting documentation for reductions to the perpetual inventory records.
- Performing a computerized match of the vendor list with a list of employees to identify matches of addresses or phone numbers.
- Performing a computerized search of payroll records to identify duplicate addresses, employee identification or taxing authority numbers or bank accounts.
- Reviewing personnel files for those that contain little or no evidence of activity, for example, lack of performance evaluations.

- Analysing sales discounts and returns for unusual patterns or trends.
- Confirming specific terms of contracts with third parties.
- Obtaining evidence that contracts are being carried out in accordance with their terms.
- Reviewing the propriety of large and unusual expenses.
- Reviewing the authorization and carrying value of senior management and related party loans.
- Reviewing the level and propriety of expense reports submitted by senior management.

Appendix 3

Examples of Circumstances that Indicate the Possibility of Fraud

The following are examples of circumstances that may indicate the possibility that the financial statements may contain a material misstatement resulting from fraud.

Discrepancies in the accounting records, including:

- Transactions that are not recorded in a complete or timely manner or are improperly recorded as to amount, accounting period, classification, or entity policy.
- Unsupported or unauthorized balances or transactions.
- Last-minute adjustments that significantly affect financial results.
- Evidence of employees' access to systems and records inconsistent with that necessary to perform their authorized duties.
- Tips or complaints to the auditor about alleged fraud.

Conflicting or missing evidence, including:

- Missing documents.
- Documents that appear to have been altered.
- Unavailability of other than photocopied or electronically transmitted documents when documents in original form are expected to exist.
- Significant unexplained items on reconciliations.
- Unusual balance sheet changes, or changes in trends or important financial statement ratios or relationships, for example, receivables growing faster than revenues.
- Inconsistent, vague, or implausible responses from management or employees arising from inquiries or analytical procedures.
- Unusual discrepancies between the entity's records and confirmation replies.
- Large numbers of credit entries and other adjustments made to accounts receivable records.
- Unexplained or inadequately explained differences between the accounts receivable sub-ledger and the control account, or between the customer statements and the accounts receivable sub-ledger.
- Missing or non-existent cancelled checks in circumstances where cancelled checks are ordinarily returned to the entity with the bank statement.
- Missing inventory or physical assets of significant magnitude.
- Unavailable or missing electronic evidence, inconsistent with the entity's record retention practices or policies.
- Fewer responses to confirmations than anticipated or a greater number of responses than anticipated.

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- Inability to produce evidence of key systems development and program change testing and implementation activities for current-year system changes and deployments.

Problematic or unusual relationships between the auditor and management, including:

- Denial of access to records, facilities, certain employees, customers, vendors, or others from whom audit evidence might be sought.
- Undue time pressures imposed by management to resolve complex or contentious issues.
- Complaints by management about the conduct of the audit or management intimidation of engagement team members, particularly in connection with the auditor's critical assessment of audit evidence or in the resolution of potential disagreements with management.
- Unusual delays by the entity in providing requested information.
- Unwillingness to facilitate auditor access to key electronic files for testing through the use of computer-assisted audit techniques.
- Denial of access to key IT operations staff and facilities, including security, operations, and systems development personnel.
- An unwillingness to add or revise disclosures in the financial statements to make them complete and more understandable.
- An unwillingness to address identified weaknesses in internal control on a timely basis.

Other

- Unwillingness by management to permit the auditor to meet privately with those charged with governance.
- Accounting policies that appear to be at variance with industry norms.
- Frequent changes in accounting estimates that do not appear to result from changed circumstances.
- Tolerance of violations of the entity's Code of Conduct.

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

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with the auditor's responsibility to consider laws and regulations when performing an audit of financial statements. This SA does not apply to other assurance engagements in which the auditor is specifically engaged to test and report separately on compliance with specific laws or regulations.

Effect of Laws and Regulations

The effect on the financial statements of laws and regulations varies considerably. Those laws and regulations to which an entity is subject constitute the legal and regulatory framework.

- 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 or set the provisions under which the entity is allowed to conduct its business but do not have a direct effect on an entity's financial statements.
- Some entities operate in heavily regulated industries (such as banks and chemical companies). Others are subject only to the many laws and regulations that relate generally to the operating aspects of the business (such as those related to occupational safety and health).
- 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 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.

The auditor is responsible for obtaining reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. In conducting an audit of financial statements, the auditor takes into account the applicable legal and regulatory framework. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the SAs. In the context of laws and regulations, the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for such reasons as the following:

- There are many laws and regulations, relating principally to the operating aspects of an entity that typically do not affect the financial statements and are not captured by the entity's information systems relevant to financial reporting.
- Non-compliance may involve conduct designed to conceal it, such as collusion, forgery, deliberate failure to record transactions, management override of controls or intentional misrepresentations being made to the auditor.
- Whether an act constitutes non-compliance is ultimately a matter for legal determination by a court of law.

Ordinarily, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

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 generally recognised to have 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, to an entity's ability to continue its business, or to avoid material penalties (for example, compliance with the terms of an operating license, compliance with regulatory solvency requirements, or compliance with environmental regulations); non-compliance with such laws and regulations may therefore have a material effect on the financial statements.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2009.

Objectives

The objectives of the auditor are:

- a) To obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements;
- b) To perform specified audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements; and
- c) To respond appropriately to non-compliance or suspected non-compliance with laws and regulations identified during the audit.

Definition

Non-compliance – Acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations. Such acts include transactions entered into by, or in the name of, the entity, or on its behalf, by those charged with governance, management or employees. Non-compliance does not include personal misconduct (unrelated to the business activities of the entity) by those charged with governance, management or employees of the entity.

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] (<i>give comments wherever required</i>)	WP Reference
	The Auditor's Consideration of Compliance with Laws and Regulations		
Para 12	Has the auditor, as part of obtaining an understanding of the entity and its environment in accordance with SA 315, obtained 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?		
Para A7	To obtain a general understanding of the legal and regulatory framework, and how the entity complies with that framework, has the auditor performed following procedures? • Use the auditor's existing understanding of the entity's industry, regulatory and other external factors; • Update the understanding of those laws and regulations that directly determine the reported amounts and disclosures in the financial statements; • Inquire of management as to other laws or regulations that may be expected to have a fundamental effect on the operations of the entity; • Inquire of management concerning the entity's policies and procedures regarding compliance with laws and regulations; and • Inquire of management regarding the policies or procedures adopted for identifying, evaluating and accounting for litigation claims.		
Para 13	For laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements, has the auditor obtained sufficient appropriate audit evidence regarding compliance with the provisions of such laws and regulations? [Note: Certain laws and regulations are well-established, known to the entity and within the entity's industry or sector, and relevant to the entity's financial statements. They could include those that relate to, for example: • The form and content of financial statements; • Industry-specific financial reporting issues;		

	- Accounting for transactions under government contracts; or - The accrual or recognition of expenses for income tax or retirement benefits. Some matters may be relevant to specific assertions (for example, the completeness of income tax provisions), while others may be relevant to the financial statements as a whole (for example, the required statements constituting a complete set of financial statements). Non-compliance with other laws and regulations may result in fines, litigation or other consequences for the entity, the costs of which may need to be provided for in the financial statements but are not considered to have a direct effect on the financial statements.(Para A8)]		
Para 14, 15, 16	Has the auditor performed the following audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements: - Inquiring of management and, where appropriate, those charged with governance, as to whether the entity is in compliance with such laws and regulations; and - Inspecting correspondence, if any, with the relevant licensing or regulatory authorities? Has the auditor remained 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? [Note: Audit procedures applied to form an opinion on the financial statements may bring instances of non-compliance or suspected non-compliance with laws and regulations to the auditor's attention. For example, such audit procedures may include: - Reading minutes; - Inquiring of the entity's management and in-house legal counsel or external legal counsel concerning litigation, claims and assessments; and - Performing substantive tests of details of classes of transactions, account balances or disclosures. (Para A11)] Has the auditor requested written representations from management and, where appropriate, those charged with governance, to disclose all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements? [Note: Because the effect on financial statements of laws and regulations can vary considerably, written representations provide necessary audit evidence about management's knowledge of identified or suspected non-compliance with laws and regulations, whose effects may have a material effect on the financial statements.		

Checklist on Standards on Auditing

	However, written representations do not provide sufficient appropriate audit evidence on their own and, accordingly, do not affect the nature and extent of other audit evidence that is to be obtained by the auditor. (Para A12)] [Note: In the absence of identified or suspected non-compliance, the auditor is not required to perform audit procedures regarding the entity's compliance with laws and regulations, other than those set out in para 12-16 of this SA. (Para 17)]		
	Audit Procedures When Non-Compliance is Identified or Suspected		
Para 18	Has the auditor during the audit, became aware of any information that indicates non-compliance or suspected non-compliance with laws and regulations? If yes, has the auditor obtained: - An understanding of the nature of the act and the circumstances in which it has occurred; and - Further information to evaluate the possible effect on the financial statements? [Note: It may be an indication of non-compliance with laws and regulations, when the auditor becomes aware of the existence of, or information about, the following matters: - Investigations by regulatory organisations and government departments or payment of fines or penalties. - Payments for unspecified services or loans to consultants, related parties, employees or government employees. - Sales commissions or agent's fees that appear excessive in relation to those ordinarily paid by the entity or in its industry or to the services actually received. - Purchasing at prices significantly above or below market price. - Unusual payments in cash, purchases in the form of cashiers' cheques payable to bearer or transfers to numbered bank accounts. - Unusual payments towards legal and retainership fees. - Unusual transactions with companies registered in tax havens. - Payments for goods or services made other than to the country from which the goods or services originated. - Payments without proper exchange control documentation. - Existence of an information system which fails, whether by design or by accident, to provide an adequate audit trail or sufficient evidence. - Unauthorised transactions or improperly recorded transactions.		

	• Adverse media comment.(Para A13)] [Note: Matters relevant to the auditor's evaluation of the possible effect on the financial statements include: • The potential financial consequences of non-compliance with laws and regulations on the financial statements including, for example, the imposition of fines, penalties, damages, threat of expropriation of assets, enforced discontinuation of operations, and litigation. • Whether the potential financial consequences require disclosure? • Whether the potential financial consequences are so serious as to call into question the fair presentation of the financial statements, or otherwise make the financial statements misleading? (Para A14)]		
Para 19	Has the auditor come across a suspicious circumstance that indicates that there may be non-compliance? If yes, whether the auditor has discussed the matter with management and, where appropriate, those charged with Governance? If management or, as appropriate, those charged with governance do not provide sufficient information that supports that the entity is in compliance with laws and regulations and, in the auditor's judgment, the effect of the suspected non-compliance may be material to the financial statements, whether the auditor has considered the need to obtain legal advice. [Note: If management or, as appropriate, those charged with governance do not provide sufficient information to the auditor that the entity is in fact in compliance with laws and regulations, the auditor may consider it appropriate to consult with the entity's in-house legal counsel or external legal counsel about the application of the laws and regulations to the circumstances, including the possibility of fraud, and the possible effects on the financial statements. When it is not considered appropriate to consult with the entity's legal counsel or when the auditor is not satisfied with the legal counsel's opinion, the auditor may consider it appropriate to consult the auditor's own legal counsel as to whether a contravention of a law or regulation is involved, the possible legal consequences, including the possibility of fraud, and what further action, if any, the auditor would take. (Para A16)]		
Para 20, 21	Where sufficient information about suspected non-compliance cannot be obtained, has the auditor evaluated the effect of the lack of sufficient appropriate audit evidence on the auditor's opinion. Whether the auditor has evaluated the implications of non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and has taken appropriate action?		

Checklist on Standards on Auditing

	[Note: The implications of particular instances of non-compliance identified by the auditor will depend on the relationship of the perpetration and concealment, if any, of the act to specific control activities and the level of management or employees involved, especially implications arising from the involvement of the highest authority within the entity. (Para A17)] In exceptional cases, the auditor may consider whether, unless prohibited by law or regulation, withdrawal from the engagement is necessary when management or those charged with governance do not take the remedial action that the auditor considers appropriate in the circumstances, even when the non-compliance is not material to the financial statements. When deciding whether withdrawal from the engagement is necessary, the auditor may consider seeking legal advice. If withdrawal from the engagement is prohibited, the auditor may consider alternative actions, including describing the non-compliance in an Other Matter(s) paragraph in the auditor's report. (Para A18)]		
	Reporting of Identified or Suspected Non-Compliance		
Para 22, 23	Reporting Non-Compliance to Those Charged with Governance Whether the auditor has communicated with those charged with governance matters involving noncompliance with laws and regulations that come to the auditor's attention during the course of the audit, other than when the matters are clearly inconsequential? If, in the auditor's judgment, the non-compliance referred to in Para 22 above, is believed to be intentional and material, whether the auditor has communicated the matter to those charged with governance as soon as practicable?		
Para 24	Is the auditor suspicious of whether the management or those charged with governance are involved in non-compliance? If yes, has the auditor communicated the matter to the next higher level of authority at the entity, if it exists, such as an audit committee or supervisory board? Where no higher authority exists, or if the auditor believes that the communication may not be acted upon or the auditor is unsure as to the person to whom to report, has the auditor considered the need to obtain legal advice?		
Para 25,26,27	Reporting Non-Compliance in the Auditor's Report on the Financial Statements Whether the auditor has, in accordance with SA 705(Revised): - expressed a qualified or adverse opinion on the financial statements where 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. - expressed a qualified opinion or disclaimed an opinion on the		

	financial statements on the basis of a limitation on the scope of audit where the auditor is precluded by management or those charged with governance from obtaining sufficient appropriate audit evidence to evaluate whether non-compliance that may be material to the financial statements has, or is likely to have, occurred. c) Evaluated the effect on the auditor's opinion where 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?		
Para 28	Reporting Non-Compliance to Regulatory and Enforcement Authorities Where the auditor has identified or suspects non-compliance with laws and regulations, whether the auditor has determined that the auditor has a responsibility to report the identified or suspected non-compliance to parties outside the entity? [Note: The auditor's professional duty to maintain the confidentiality of client information may preclude reporting identified or suspected non-compliance with laws and regulations to a party outside the entity. However, the auditor's legal responsibilities vary under different laws and regulations and, in certain circumstances, the duty of confidentiality may be overridden by statute, the law or courts of law. Under the present legal and regulatory framework for financial institutions in India, their auditor has a statutory duty to report the occurrence, or suspected occurrence, of non-compliance with laws and regulations to supervisory authorities. (Para A19)]		
Para 29	Documentation Has the auditor ensured documentation of: a) identified or suspected non-compliance with laws and regulations; and b) the results of discussion with management and, where applicable, those charged with governance and other parties outside the entity? [Note: The auditor's documentation of findings regarding identified or suspected non-compliance with laws and regulations may include, for example: • Copies of records or documents. • Minutes of discussions held with management, those charged with governance or parties outside the entity.(Para A21)]		

SA 260(Revised), Communication with Those Charged with Governance

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Scope

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

This SA is written in the context of an audit of financial statements, but may also be applicable, adapted as necessary in the circumstances, to audits of other historical financial information when those charged with governance have a responsibility to oversee the preparation of the other historical financial information.

Recognizing the importance of effective two-way communication in an audit of financial statements, this SA provides an overarching 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. In addition, SA 265 establishes specific requirements regarding the communication of significant deficiencies in internal control the auditor has identified during the audit to those charged with governance. Further matters, not required by this or other SAs, may be required to be communicated by law or regulation, by agreement with the entity, or by additional requirements applicable to the engagement, for example, the standards of a national professional accountancy body. Nothing in this SA precludes the auditor from communicating any other matters to those charged with governance.

The Role of Communication

Although the auditor is responsible for communicating matters required by this SA, management also has a responsibility to communicate matters of governance interest to those charged with governance. Communication by the auditor does not relieve management of this responsibility. Similarly, communication by management with those charged with governance of matters that the auditor is required to communicate does not relieve the auditor of the responsibility to also communicate them. Communication of these matters by management may, however, affect the form or timing of the auditor's communication with those charged with governance.

Clear communication of specific matters required to be communicated by SAs is an integral part of every audit. SAs do not, however, require the auditor to perform procedures specifically to identify any other matters to communicate with those charged with governance.

Law or regulation may restrict the auditor's communication of certain matters with those charged with governance. For example, laws or regulations may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act. In some circumstances, potential conflicts between the auditor's obligations of confidentiality and obligations to communicate may be complex. In such cases, the auditor may consider obtaining legal advice.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2017.

Objectives

The objectives of the auditor are:

- (a) To communicate clearly with those charged with governance the responsibilities of the auditor in relation to the financial statement audit, and an overview of the planned scope and timing of the audit;

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- (b) To obtain from those charged with governance information relevant to the audit;
- (c) To provide those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process; and
- (d) To promote effective two-way communication between the auditor and those charged with governance.

Definitions

Those charged with Governance – The person(s) or organization(s) (e.g., a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

Management – The person(s) with executive responsibility for the conduct of the entity's operations. For some entities, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner-manager.

Para No.	Particulars	Response [Yes, No, NA] <i>(give comments wherever required)</i>	WP Reference
	Those Charged with Governance		
Para 11	Has the auditor determined the appropriate person(s) within the entity's governance structure with whom to communicate? [Note: Governance structures vary by entities, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics. For example: • In some entities, a supervisory (wholly or mainly non-executive) board exists that is legally separate from an executive (management) board (a "two-tier board" structure). In other entities, both the supervisory and executive functions are the legal responsibility of a single, or unitary, board (a "one-tier board" structure). • In some entities, those charged with governance hold positions that are an integral part of the entity's legal structure, for example, company directors. In others, for example, some government entities, a body that is not part of the entity is charged with governance. • In some cases, some or all of those charged with governance are involved in managing the entity. In others, those charged with governance and management comprise different persons. • In some cases, those charged with governance are responsible for approving the entity's financial statements (in other cases management has this responsibility) (Para A1)]		
	Communication with a Subgroup of Those Charged with Governance		
Para 12	Whether the auditor communicates with a subgroup of those charged with governance, for example, an audit committee, or an individual? If yes, has the auditor determined the need to communicate with the governing body?		
Para A5	When considering communicating with a subgroup of those charged with governance, has the auditor considered following? • The respective responsibilities of the subgroup and the governing body. • The nature of the matter to be communicated. • Relevant legal or regulatory requirements.		

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	Whether the subgroup has the authority to take action in relation to the information communicated, and can provide further information and explanations the auditor may need?		
Para A7	Has the: - Auditor got invited to regularly attend meetings of the audit committee. - The chair of the audit committee and, when relevant, the other members of the audit committee, liaised with the auditor periodically. - The audit committee met the auditor without management present at least annually?		
	When All of Those Charged with Governance Are Involved in Managing the Entity		
Para 13	Whether all of those charged with governance are involved in managing the entity? If yes, has the auditor communicated matters required to be communicated with person(s) with management and governance responsibilities?		
	Matters to Be Communicated		
Para 14, A9	The Auditor's Responsibilities in Relation to the Financial Statement Audit Whether the auditor communicated with those charged with governance the responsibilities of the auditor in relation to the financial statement audit, including that: - The auditor is responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance; and - The audit of the financial statements does not relieve management or those charged with governance of their responsibilities? - The auditor's responsibility for performing the audit in accordance with SAs, which is directed towards the expression of an opinion on the financial statements. The matters that SAs require to be communicated, therefore, include significant matters arising during the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process. - The fact that SAs do not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance. - When SA 701 applies, the auditor's responsibilities to determine and communicate key audit matters in the auditor's report.		

	f) When applicable, the auditor's responsibility for communicating particular matters required by law or regulation, by agreement with the entity or by additional requirements applicable to the engagement, for example, the standards of a national professional accountancy body.		
Para 15	Planned Scope and Timing of Audit Whether the auditor communicated with those charged with governance an overview of the planned scope and timing of the audit, which includes communicating about the significant risks identified by the auditor?		
Para A13	Whether the matters communicated include: • How the auditor plans to address the significant risks of material misstatement, whether due to fraud or error? • How the auditor plans to address areas of higher assessed risks of material misstatement? • The auditor's approach to internal control relevant to the audit? • The application of the concept of materiality in the context of an audit? • The nature and extent of specialized skill or knowledge needed to perform the planned audit procedures or evaluate the audit results, including the use of an auditor's expert? • When SA 701 applies, the auditor's preliminary views about matters that may be areas of significant auditor attention in the audit and therefore may be key audit matters?		
Para A14	Whether other planning matters that may be appropriate to discuss with those charged with governance include: • Where the entity has an internal audit function, how the external auditor and internal auditors can work together in a constructive and complementary manner, including any planned use of the work of the internal audit function, and the nature and extent of any planned use of internal auditors to provide direct assistance? • The views of those charged with governance of: ○ The appropriate person(s) in the entity's governance structure with whom to communicate. ○ The allocation of responsibilities between those charged with governance and management. ○ The entity's objectives and strategies, and the related business risks that may result in material misstatements. ○ Matters those charged with governance consider warrant particular attention during the audit, and any areas where they request additional procedures to be undertaken.		

Checklist on Standards on Auditing

	○ Significant communications with regulators. ○ Other matters those charged with governance consider may influence the audit of the financial statements? • The attitudes, awareness, and actions of those charged with governance concerning (a) the entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control, and (b) the detection or possibility of fraud? • The actions of those charged with governance in response to developments in accounting standards, corporate governance practices, exchange listing rules, and related matters? • The responses of those charged with governance to previous communications with the auditor? • The documents comprising the other information (as defined in SA 720 (Revised) and the planned manner and timing of the issuance of such documents. When the auditor expects to obtain other information after the date of the auditor's report, the discussions with those charged with governance may also include the actions that may be appropriate or necessary if the auditor concludes that a material misstatement of the other information exists in other information obtained after the date of the auditor's report?		
Para 16	Significant Findings from the Audit Whether following matters communicated 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. When applicable, the auditor shall explain to those charged with governance why the auditor considers a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate to the particular circumstances of the entity. (Refer Appendix 2 of this SA to identify matters that may be included in this communication.) b. Significant difficulties, if any, encountered during the audit. c. Unless all of those charged with governance are involved in managing the entity: i. Significant matters arising during the audit that were discussed, or subject to correspondence, with management; and ii. Written representations the auditor is requesting; d. Circumstances that affect the form and content of the auditor's report, if any; and e. Any other significant matters arising during the audit that, in the auditor's professional judgment, are relevant to the oversight of the		

	financial reporting process?		
Para A21	Has the auditor encountered following significant difficulties during the course of audit? • Significant delays by management, the unavailability of entity personnel, or an unwillingness by management to provide information necessary for the auditor to perform the auditor's procedures. • An unreasonably brief time within which to complete the audit. • Extensive unexpected effort required to obtain sufficient appropriate audit evidence. • The unavailability of expected information. • Restrictions imposed on the auditor by management. • Management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested. If yes, whether such difficulties have been appropriately communicated with those charged with governance and if such difficulties lead to a scope limitation, whether auditor's opinion is modified?		
Para A22	Whether significant matters discussed, or subject to correspondence with management include following matters: • Significant events or transactions that occurred during the year. • Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. • Concerns about management's consultations with other accountants on accounting or auditing matters. • Discussions or correspondence in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services. • Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information?		
Para A24	Whether auditor communicated additional information in the auditor's report with those charged with governance when: • The auditor expects to modify the opinion in the auditor's report in accordance with SA 705 (Revised). • A material uncertainty related to going concern is reported in accordance with SA 570(Revised). • Key audit matters are communicated in accordance with SA 701. • The auditor considers it necessary to include an Emphasis of Matter paragraph or Other Matter paragraph in accordance with SA		

Checklist on Standards on Auditing

	706 (Revised) or is required to do so by other SAs. The auditor has concluded that there is an uncorrected material misstatement of the other information in accordance with SA 720(Revised)?		
Para 17	Auditor Independence In the case of listed entities, has the auditor communicated with those charged with governance: (a) A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence; and 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. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor; and ii. The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level?		
Para A30	Whether the relationships and other matters, and safeguards to be communicated addressed: (a) Threats to independence, which may be categorized as: self-interest threats, self-review threats, advocacy threats, familiarity threats, and intimidation threats; and (b) Safeguards created by the profession, legislation or regulation, safeguards within the entity, and safeguards within the firm's own systems and procedures?		
	The Communication Process		
Para 18	Establishing the Communication Process Whether the auditor communicated with those charged with governance the form, timing and expected general content of communications? [Note: Many matters may be discussed with management in the ordinary course of an audit, including matters required by this SA to be communicated with those charged with governance. Such discussions recognize management's executive responsibility for the conduct of the entity's operations and, in particular, management's responsibility for the preparation of the financial statements. (Para A41)]		

	Before communicating matters with those charged with governance, the auditor may discuss them with management, unless that is inappropriate. For example, it may not be appropriate to discuss questions of management's competence or integrity with management. In addition to recognizing management's executive responsibility, these initial discussions may clarify facts and issues, and give management an opportunity to provide further information and explanations. Similarly, when the entity has an internal audit function, the auditor may discuss matters with the internal auditor before communicating with those charged with governance. (Para A42)]		
Para A38	Whether matters that may also contribute to effective two-way communication include discussion of: • The purpose of communications. When the purpose is clear, the auditor and those charged with governance are better placed to have a mutual understanding of relevant issues and the expected actions arising from the communication process. • The form in which communications will be made. • The person(s) in the engagement team and among those charged with governance who will communicate regarding particular matters. • The auditor's expectation that communication will be two-way, and that those charged with governance will communicate with the auditor matters they consider relevant to the audit, for example, strategic decisions that may significantly affect the nature, timing and extent of audit procedures, the suspicion or the detection of fraud, and concerns with the integrity or competence of senior management. • The process for taking action and reporting back on matters communicated by the auditor. • The process for taking action and reporting back on matters communicated by those charged with governance?		
Para 19, 20	Forms of Communication Whether the auditor has orally communicated significant findings to those charged with governance? If yes, whether such oral communication is adequate? If no, has the auditor communicated such findings in writing to those charged with governance? Whether the auditor has communicated in writing with those charged with governance regarding auditor independence as required by para 17 above. [Note: In addition to the significance of a particular matter, the form of communication (e.g., whether to communicate orally or in writing, the extent of detail or summarization in the communication, and whether to		

Checklist on Standards on Auditing

	communicate in a structured or unstructured manner) may be affected by such factors as: (a) Whether a discussion of the matter will be included in the auditor's report. For example, when key audit matters are communicated in the auditor's report, the auditor may consider it necessary to communicate in writing about the matters determined to be key audit matters. (b) Whether the matter has been satisfactorily resolved. (c) Whether management has previously communicated the matter. (d) The size, operating structure, control environment, and legal structure of the entity. (e) In the case of an audit of special purpose financial statements, whether the auditor also audits the entity's general purpose financial statements. (f) Legal requirements. In some entities, a written communication with those charged with governance is required in a prescribed form by local law. (g) The expectations of those charged with governance, including arrangements made for periodic meetings or communications with the auditor. (h) The amount of ongoing contact and dialogue the auditor has with those charged with governance. (i) Whether there have been significant changes in the membership of a governing body. (Para A47)]		
Para 21, A50	Timing of Communications Has the auditor communicated with those charged with governance on a timely basis? Whether the timing of communication decided by the auditor considering following factors: • The size, operating structure, control environment, and legal structure of the entity being audited. • Any legal obligation to communicate certain matters within a specified timeframe. • The expectations of those charged with governance, including arrangements made for periodic meetings or communications with the auditor. • The time at which the auditor identifies certain matters, for example, the auditor may not identify a particular matter (e.g., non-compliance with a law) in time for preventive action to be taken, but communication of the matter may enable remedial action to be taken?		
Para 22,	Adequacy of the Communication Process		

A53	Whether the two-way communication between the auditor and those charged with governance has been adequate for the purpose of the audit? If no, has the auditor evaluated the effect, if any, on the auditor's assessment of the risks of material misstatement and ability to obtain sufficient appropriate audit evidence? If the two-way communication between the auditor and those charged with governance is not adequate and the situation cannot be resolved, has the auditor taken such actions as: • Modified the auditor's opinion on the basis of a scope limitation. • Obtained legal advice about the consequences of different courses of action. • Communicated with third parties (e.g., a regulator), or a higher authority in the governance structure that is outside the entity, such as the owners of a business (e.g., shareholders in a general meeting), or the responsible government minister or parliament in the public sector. • Withdrawn from the engagement, where withdrawal is possible under applicable law or regulation.		
Para A51	Whether the evaluation of the two-way communication based on: • The appropriateness and timeliness of actions taken by those charged with governance in response to matters raised by the auditor. Where significant matters raised in previous communications have not been dealt with effectively, it may be appropriate for the auditor to inquire as to why appropriate action has not been taken, and to consider raising the point again. This avoids the risk of giving an impression that the auditor is satisfied that the matter has been adequately addressed or is no longer significant. • The apparent openness of those charged with governance in their communications with the auditor. • The willingness and capacity of those charged with governance to meet with the auditor without management present. • The apparent ability of those charged with governance to fully comprehend matters raised by the auditor, for example, the extent to which those charged with governance probe issues, and question recommendations made to them. • Difficulty in establishing with those charged with governance a mutual understanding of the form, timing and expected general content of communications. • Where all or some of those charged with governance are involved in managing the entity, their apparent awareness of how matters discussed with the auditor affect their broader governance		

Checklist on Standards on Auditing

	responsibilities, as well as their management responsibilities. • Whether the two-way communication between the auditor and those charged with governance meets applicable legal and regulatory requirements?		
Para 23	Documentation Where matters required by this SA to be communicated are communicated orally, has the auditor included them in the audit documentation, and when and to whom they were communicated? Where matters have been communicated in writing, has the auditor retained a copy of the communication as part of the audit documentation?		

Note: Refer Appendix 1 of this SA for Specific Requirements in SQC 1 and Other SAs that Refer to Communications with Those Charged with Governance.

SA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Scope

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

The auditor is required to obtain an understanding of internal control relevant to the audit when identifying and assessing the risks of material misstatement. In making those risk assessments, the auditor considers internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The auditor may identify deficiencies in internal control not only during this risk assessment process but also at any other stage of the audit. This SA specifies which identified deficiencies the auditor is required to communicate to those charged with governance and management.

Nothing in this SA precludes the auditor from communicating to those charged with governance and management other internal control matters that the auditor has identified during the audit.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objective

The objective of the auditor is to communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified during the audit and that, in the auditor's professional judgment, are of sufficient importance to merit their respective attentions.

Definitions

Deficiency in internal control – This exists when:

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

Significant deficiency in internal control – A deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

Para No.	Particulars	Response [Yes, No, NA] (<i>give comments wherever required</i>)	WP Reference
Para 7 Para A1	Has the auditor identified one or more deficiencies in internal control based on audit work performed? If yes, whether the auditor has discussed the relevant facts and circumstances of the auditor's findings with the appropriate level of management?		
Para A2	In discussing the facts and circumstances of the auditor's findings with management, has the auditor obtained other relevant information for further consideration, such as: • Management's understanding of the actual or suspected causes of the deficiencies. • Exceptions arising from the deficiencies that management may have noted, for example, misstatements that were not prevented by the relevant information technology (IT) controls. • A preliminary indication from management of its response to the findings?		
Para 8	Whether one or more deficiencies in internal control individually or in combination, constitute significant deficiencies?		
Para A6	In determining whether a deficiency or combination of deficiencies in internal control constitutes a significant deficiency has the auditor considered following: • The likelihood of the deficiencies leading to material misstatements in the financial statements in the future. • The susceptibility to loss or fraud of the related asset or liability. • The subjectivity and complexity of determining estimated amounts, such as fair value accounting estimates. • The financial statement amounts exposed to the deficiencies. • The volume of activity that has occurred or could occur in the account balance or class of transactions exposed to the deficiency or deficiencies. • The importance of the controls to the financial reporting process for example: ○ General monitoring controls (such as oversight of management). ○ Controls over the prevention and detection of fraud.		

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	○ Controls over the selection and application of significant accounting policies. ○ Controls over significant transactions with related parties. ○ Controls over significant transactions outside the entity's normal course of business. ○ Controls over the period-end financial reporting process (such as controls over non-recurring journal entries). • The cause and frequency of the exceptions detected as a result of the deficiencies in the controls. • The interaction of the deficiency with other deficiencies in internal control? [Note: Controls may be designed to operate individually or in combination to effectively prevent, or detect and correct, misstatements. For example, controls over accounts receivable may consist of both automated and manual controls designed to operate together to prevent, or detect and correct, misstatements in the account balance. A deficiency in internal control on its own may not be sufficiently important to constitute a significant deficiency. However, a combination of deficiencies affecting the same account balance or disclosure, relevant assertion, or component of internal control may increase the risks of misstatement to such an extent as to give rise to a significant deficiency. (Para A8)]		
Para A7	On the basis of audit work, whether following indicators of significant deficiency in internal control were noticed: • Evidence of ineffective aspects of the control environment such as: ○ Indications that significant transactions in which management is financially interested are not being appropriately scrutinised by those charged with governance. ○ Identification of management fraud, whether or not material, that was not prevented by the entity's internal control. ○ Management's failure to implement appropriate remedial action on significant deficiencies previously communicated. • Absence of a risk assessment process within the entity where such a process would ordinarily be expected to have been established. • Evidence of an ineffective entity risk assessment process, such as management's failure to identify a risk of material misstatement that the auditor would expect the entity's risk assessment process to have identified. • Evidence of an ineffective response to identified significant risks (e.g., absence of controls over such a risk). • Misstatements detected by the auditor's procedures that were not prevented, or detected and corrected, by the entity's internal control.		

	• Disclosure of a material misstatement due to error or fraud as prior period items in the current year's Statement of Profit and Loss. • Evidence of management's inability to oversee the preparation of the financial statements? If yes, has the auditor concluded regarding significant deficiencies in internal control?		
Para 9	Has the auditor communicated in writing significant deficiencies in internal control identified during the audit to those charged with governance on a timely basis? [Note: Management and those charged with governance may already be aware of significant deficiencies that the auditor has identified during the audit and may have chosen not to remedy them because of cost or other considerations. The responsibility for evaluating the costs and benefits of implementing remedial action rests with management and those charged with governance. Accordingly, the requirement in paragraph 9 applies regardless of cost or other considerations that management and those charged with governance may consider relevant in determining whether to remedy such deficiencies. (Para A16)] The fact that the auditor communicated a significant deficiency to those charged with governance and management in a previous audit does not eliminate the need for the auditor to repeat the communication if remedial action has not yet been taken. If a previously communicated significant deficiency remains, the current year's communication may repeat the description from the previous communication, or simply reference the previous communication. The auditor may ask management or, where appropriate, those charged with governance, why the significant deficiency has not yet been remedied. A failure to act, in the absence of a rational explanation, may in itself represent a significant deficiency. (Para A17)]		
Para A15	Whether following factors considered while determining an appropriate level of detail for the communication? • The nature of the entity. For instance, the communication required for a public interest entity may be different from that for a non-public interest entity. • The size and complexity of the entity. For instance, the communication required for a complex entity may be different from that for an entity operating a simple business. • The nature of significant deficiencies that the auditor has identified. • The entity's governance composition. For instance, more detail may be needed if those charged with governance include members who do not have significant experience in the entity's industry or in the affected areas. • Legal or regulatory requirements regarding the communication of specific types of deficiency in internal control.		

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Para 10	Has the auditor communicated to management at an appropriate level of responsibility on a timely basis? • In writing, significant deficiencies in internal control that the auditor has communicated or intends to communicate to those charged with governance, unless it would be inappropriate to communicate directly to management in the circumstances; and • Other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in the auditor's professional judgment, are of sufficient importance to merit management's attention. [Note: The communication of other deficiencies in internal control that merit management's attention need not be in writing but may be oral. Where the auditor has discussed the facts and circumstances of the auditor's findings with management, the auditor may consider an oral communication of the other deficiencies to have been made to management at the time of these discussions. Accordingly, a formal communication need not be made subsequently. (Para A23)] In some circumstances, those charged with governance may wish to be made aware of the details of other deficiencies in internal control the auditor has communicated to management or be briefly informed of the nature of the other deficiencies. Alternatively, the auditor may consider it appropriate to inform those charged with governance of the communication of the other deficiencies to management. In either case, the auditor may report orally or in writing to those charged with governance as appropriate. (Para A25)]		
Para 11	Whether the written communication of significant deficiencies in internal control include: • A description of the deficiencies and an explanation of their potential effects; and • Sufficient information to enable those charged with governance and management to understand the context of the communication. In particular: ○ The purpose of the audit was for the auditor to express an opinion on the financial statements; ○ The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control; and [Note: As per Section 143(3)(i) of the Companies Act, 2013, the auditor is required to report on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls. Auditor need to amend it as appropriate.] The matters being reported are limited to those deficiencies that the		

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	auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance?		
Para A29	Has the auditor considered it appropriate to include the following information as additional context for the communication? • An indication that if the auditor had performed more extensive procedures on internal control, the auditor might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not, in fact, have been reported. • An indication that such communication has been provided for the purposes of those charged with governance, and that it may not be suitable for other purposes.		

SA 299 (Revised), Joint Audit of Financial Statements

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Scope

The practice of appointing more than one auditor to conduct the audit of large entities has been in vogue for a long time, sometimes voluntarily by the shareholders or sometimes due to the requirements of laws or regulations. Such auditors, known as joint auditors, conduct the audit jointly and report on the financial statements of the entity. This Standard lays down the principles for effective conduct of joint audit to achieve the overall objectives of the auditor as laid down in SA 200. This Standard deals with the special considerations in carrying out audit by joint auditors. Accordingly, in addition to the requirements enunciated in this Standard, the joint auditors also need to comply with all the relevant requirements of other applicable Standards on Auditing.

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

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2018.

Objectives

The objectives of this Standard are:

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

Definitions

Joint Audit and Joint Auditors – A joint audit is an audit of financial statements of an entity by two or more auditors appointed with the objective of issuing the audit report. Such auditors are described as joint auditors.

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] (<i>give comments wherever required</i>)	WP Reference
	Audit Planning, Risk Assessment and Allocation of Work		
Para 6	Whether the engagement partner and other key members of the engagement team from each of the joint auditors are involved in planning the audit?		
Para 7	Whether the joint auditors have jointly established an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan?		
Para 8	Whether the joint auditors, prior to the commencement of the audit discussed and developed a joint audit plan? If yes, in developing the joint audit plan, have the joint auditors: a) Identified division of audit areas and common audit areas amongst the joint auditors that define the scope of the work of each joint auditor; b) Ascertained the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required; c) Considered and communicated among all joint auditors the factors that, in their professional judgment, are significant in directing the engagement team's efforts; d) Considered the results of preliminary engagement activities and, where applicable, whether knowledge gained on other or similar engagements performed earlier by the respective engagement partner(s) for the entity is relevant. e) Ascertain the nature, timing and extent of resources necessary to perform the engagement? [Note: Where joint auditors are appointed, they should, by mutual discussion, divide the audit work among themselves. The division of work would usually be in terms of audit of identifiable units or specified areas. In some cases, due to the nature of the business of the entity under audit, such a division of work may not be possible. In such situations, the division of work may be with reference to items of assets or liabilities or income or expenditure. Certain areas of work, owing to their importance or owing to the nature of the work involved, would often not be divided and would be covered by all the joint auditors. (Para A1)]		

Para 9	Whether each of the joint auditors considered and assessed the risks of material misstatement and communicated the same to other joint auditors and documented, whether pertaining to the overall financial statements level or to the area of allocation among the other joint auditors?		
Para 10	Whether the joint auditors discussed and documented the nature, timing and the extent of the audit procedures for common and specific allotted areas of audit to be performed by each of the joint auditors and whether the same has been communicated to those charged with governance?		
Para 11	Whether the joint auditors have obtained the common engagement letter and common management representation letter?		
Para 12	Whether the Joint auditors have signed the work allocation document and whether the same has been communicated to those charged with governance of the entity?		
	Responsibility and Co-ordination among Joint Auditors		
Para 13	Whether the Joint auditors by mutual discussion divided the work amongst themselves? [Note: In respect of audit work divided among the joint auditors, each joint auditor shall be responsible only for the work allocated to such joint auditor including proper execution of the audit procedures. The audit process involves obtaining and evaluating information and explanations from the management. This responsibility is shared by all the joint auditors unless they agree upon a specific pattern of distribution of this responsibility. In cases where specific divisions, zones or units are allocated to different joint auditors, it is the separate and specific responsibility of each joint auditor to obtain information and explanations from the management in respect of such divisions/zones/units and to evaluate the information and explanations so obtained by said joint auditor. The joint auditors shall have proper coordination and rationality wherever required. (Para A3)]		
Para 14	Whether the joint auditors have mutually agreed to be jointly and severally responsible for: a) the audit work which is not divided among the joint auditors and is carried out by all joint auditors; b) decisions taken by all the joint auditors under audit planning in respect of common audit areas concerning the nature, timing and extent of the audit procedures to be performed by each of the joint auditors; c) matters which are brought to the notice of the joint auditors by any		

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	one of them and on which there is an agreement among the joint auditors; d) examining that the financial statements of the entity comply with the requirements of the relevant statutes; e) presentation and disclosure of the financial statements as required by the applicable financial reporting framework; f) ensuring that the audit report complies with the requirements of the relevant statutes, the applicable Standards on Auditing and the other relevant pronouncements issued by ICAI? [Note: All the joint auditors are responsible only in respect of the appropriateness of the decisions concerning the nature, timing and extent of the audit procedures agreed upon among them, proper execution of these audit procedures is the individual responsibility of the joint auditor concerned. (Para A4)]		
Para 15	Whether the joint auditor has communicated to all the other joint auditors in writing prior to the completion of the audit, where the said joint auditor comes across matters which are relevant to the areas of responsibility of other joint auditors and which deserve their attention, or which require disclosure or require discussion with, or application of judgment by other joint auditors?		
Para 16	Whether each joint auditor has, in relation to the areas of work allocated to said joint auditor: a) determined the nature, timing and extent of audit procedures to be applied. b) studied and evaluated the prevailing system of internal control and assessment of risk?		
	Audit Conclusion and Reporting		
Para 17	Whether the joint auditors have: a) issued common audit report. b) expressed their opinion in separate audit report where the joint auditors are in disagreement with regard to the opinion or any matters to be covered by the audit report? [Note: A joint auditor is not bound by the views of the majority of the joint auditors regarding the opinion or matters to be covered in the audit report and shall express opinion formed by the said joint auditor in separate audit report in case of disagreement. In such circumstances, the audit report(s) issued by the joint auditor(s) shall make a reference to the separate audit report(s) issued by the other joint auditor(s). Further, separate audit report shall also make reference to the audit report issued by other joint auditors. Such reference shall be made under the heading "Other Matter Paragraph" as per SA 706(Revised).		

	(Para 17)] [Note: In a situation where there is more than one opinion to be expressed by the joint auditors due to disagreement among them, it is important to note that each joint auditor with a differing opinion would be required to issue a separate audit report and the reference to the other joint auditors report would be required to be made by each such joint auditor in their respective audit report. For example, where an entity has three joint auditors and all of them have disagreements and this leads to three different sets of opinion, then each of them needs to issue a separate audit report. Further, each of them needs to include an 'Other Matter' paragraph in their respective audit report wherein they would make a reference to the separate audit reports issued by other joint auditors. (Para A5)]		
Para 20	Whether the joint auditors, before finalizing their audit report, have discussed and communicated with each other their respective conclusions that would form the content of the audit report? [Note: Each joint auditor is entitled to assume that: - The other joint auditors have carried out their part of the audit work and the work has actually been performed in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. It is not necessary for a joint auditor to review the work performed by other joint auditors or perform any tests in order to ascertain whether the work has actually been performed in such a manner. - The other joint auditors have brought to said joint auditor's notice any departure from applicable financial reporting framework or significant observations that are relevant to their responsibilities noticed in the course of the audit. (Para 18)] [Note: Where financial statements of a division/branch are audited by one of the joint auditors, the other joint auditors are entitled to proceed on the basis that such financial statements comply with all the legal and regulatory requirements and present a true and fair view of the state of affairs and of the results of operations of the division/branch concerned. (Para 19)] [Note: In the case of audit of a large entity with several branches, including unaudited branches and those required to be audited by branch auditors, the branch audit reports/returns may be required to be reviewed by different joint auditors in accordance with the allocation of work. In such cases, it is the specific and separate responsibility of each joint auditor to review the audit reports/returns of the divisions/branches allocated to said joint auditor and to ensure that they are properly incorporated into the accounts of the entity. It is also the separate and specific responsibility of each joint auditor to exercise judgement with regard to the necessity of visiting such divisions/branches in respect of which the work is allocated to said		

Checklist on Standards on Auditing

	joint auditor. In respect of the branches which do not fall within any divisions or zones which are separately assigned to the various joint auditors, they may agree among themselves as regards the division of work relating to the review of such branch audit report/returns. (Para A6)]		
	Communication with Those Charged with Governance		
Para 21	Whether the joint auditors expect to modify the opinion in the auditor's report? If yes, whether the joint auditors have communicated with those charged with governance the circumstances that led to the expected modification and the proposed wording of the modification to ensure compliance with SA 705(Revised). Whether the joint auditors expect to include an Emphasis of Matter or an Other Matter paragraph in the auditor's report? If yes, whether the joint auditors have communicated with those charged with governance regarding this expectation and the proposed wording of this paragraph to ensure compliance with SA 706(Revised)?		

SA 300, Planning an Audit of Financial Statements

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide to SA 300, “Planning an Audit of Financial Statements”.

Scope

This Standard on Auditing (SA) 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.

Planning an audit involves establishing the overall audit strategy for the engagement and developing an audit plan. Adequate planning benefits the audit of financial statements in several ways, including the following:

- Helping the auditor to devote appropriate attention to important areas of the audit.
- Helping the auditor identify and resolve potential problems on a timely basis.
- Helping the auditor properly organize and manage the audit engagement so that it is performed in an effective and efficient manner.
- Assisting in the selection of engagement team members with appropriate levels of capabilities and competence to respond to anticipated risks, and the proper assignment of work to them.
- Facilitating the direction and supervision of engagement team members and the review of their work.
- Assisting, where applicable, in coordination of work done by auditors of components and experts.

The nature and extent of planning activities will vary according to the size and complexity of the entity, the key engagement team members' previous experience with the entity, and changes in circumstances that occur during the audit engagement.

Planning is not a discrete phase of an audit, but rather a continual and iterative process that often begins shortly after (or in connection with) the completion of the previous audit and continues until the completion of the current audit engagement. Planning, however, includes consideration of the timing of certain activities and audit procedures that need to be completed prior to the performance of further audit procedures. For example, planning includes the need to consider, prior to the auditor's identification and assessment of the risks of material misstatement, such matters as:

- The analytical procedures to be applied as risk assessment procedures.
- Obtaining a general understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework.
- The determination of materiality.
- The involvement of experts.
- The performance of other risk assessment procedures.

The auditor may decide to discuss elements of planning with the entity's management to facilitate the conduct and management of the audit engagement (for example, to coordinate some of the planned audit procedures with the work of the entity's personnel). Although these discussions often occur, the overall audit strategy and the audit plan remain the auditor's responsibility. When discussing matters included in the overall audit strategy or audit plan, care is required in order not to compromise the effectiveness of the audit. For example, discussing the nature and timing of detailed audit procedures with management may compromise the effectiveness of the audit by making the audit procedures too predictable.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2008.

Objective

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

Para No.	Particulars	Response [Yes, No, NA] (<i>give comments wherever required</i>)	WP Reference
Para 4	Involvement of Key Engagement Team Members Whether the engagement partner and other key members of the engagement team have been involved in planning the audit, including planning and participating in the discussion among engagement team members?		
Para 5	Preliminary Engagement Activities Whether the auditor undertook following activities at the beginning of the current audit engagement? • Performing procedures required by SA 220, regarding the continuance of the client relationship and the specific audit engagement; • Evaluating compliance with ethical requirements, including independence, as required by SA 220; and • Establishing an understanding of the terms of the engagement, as required by SA 210.		
Para A6	Has performing the preliminary engagement activities specified in paragraph 5 of SA 300 at the beginning of the current audit engagement assisted the auditor in identifying and evaluating events or circumstances that may adversely affect the auditor's ability to plan and perform the audit engagement? [Note: The auditor is required to consider client continuance and ethical requirements, including independence, throughout the audit engagement as changes in conditions and circumstances occur. (Para A8)]		
	Planning Activities		
Para 6	Has the auditor established an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan?		
Para 7	While establishing the overall audit strategy, has the auditor considered following: • Identified the characteristics of the engagement that define its scope; • Ascertained the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required; • Considered the factors that, in the auditor's professional judgment, are significant in directing the engagement team's efforts;		

Checklist on Standards on Auditing

	• Considered 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 • Ascertained the nature, timing and extent of resources necessary to perform the engagement?		
Para 8	Whether the audit plan developed by the auditor include: • The nature, timing and extent of planned risk assessment procedures, as determined under SA 315. • The nature, timing and extent of planned further audit procedures at the assertion level, as determined under SA 330. Other planned audit procedures that are required to be carried out so that the engagement complies with SAs?		
Para 9	Has the auditor identified any unexpected events, changes in conditions, or the audit evidence obtained from the results of audit procedures, that require to modify the overall audit strategy and audit plan and thereby the resulting planned nature, timing and extent of further audit procedures, based on the revised consideration of assessed risks? [Note: This may be the case when information comes to the auditor's attention that differs significantly from the information available when the auditor planned the audit procedures. For example, audit evidence obtained through the performance of substantive procedures may contradict the audit evidence obtained through tests of controls(Para A14)]		
Para 10	Has the auditor planned the nature, timing and extent of direction and supervision of engagement team members and the review of their work?		
Para 11	Documentation Has the auditor documented overall audit strategy, audit plan and any significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes? [Note: The auditor may summarize the overall audit strategy in the form of a memorandum that contains key decisions regarding the overall scope, timing and conduct of the audit. (Para A17)] For detailed overall audit strategy refer Para 7 above. [The documentation of the audit plan is a record of the planned nature, timing and extent of risk assessment procedures and further audit procedures at the assertion level in response to the assessed risks. It also serves as a record of the proper planning of the audit procedures that can be reviewed and approved prior to their performance. The auditor may use standard audit programs and/or audit completion checklists, tailored as needed to reflect the particular engagement circumstances. (Para A18)]		

	[Note: The auditor has documented significant change made to the overall strategy and the audit plan, and resulting changes to the planned nature, timing and extent of audit procedures, explain why the significant changes were made, and the overall strategy and audit plan finally adopted for the audit. (Para A19) The amendments to the overall audit strategy and plan (with consequential effect on nature, timing and extent of further audit procedures) may be required on account of: • Unanticipated events • Changed conditions • Inconsistent information divergence noted between the expected audit evidence and the actual evidence.]		
Para 12	Additional Considerations in Initial Audit Engagements Has the auditor undertaken the following activities prior to starting an initial audit: • Performed procedures required by SA 220 regarding the acceptance of the client relationship and the specific audit engagement; and • Communicated with the predecessor auditor, where there has been a change of auditors, in compliance with relevant ethical requirements? [Note: Paragraph A21 lists additional matters that auditor may consider for initial audit engagements.]		
	[Note: The auditor can consider Appendix - “Considerations in Establishing the Overall Audit Strategy” given in SA 300 which provides examples of matters in establishing the overall audit strategy.]		
	[Note: auditor can refer Chapter 3 - Overall Audit Plan of Implementation guide to Standard on Auditing (SA) 300 for list of SAs relevant while development of an audit plan.]		
	[Note: auditor can refer Appendix 1 of Implementation guide to Standard on Auditing (SA) 300 giving examples of Possible Audit Procedures to Address the Assessed Risks of Material Misstatement Due to Fraud.]		
	[Note: auditor can also refer Appendix 2 to 4 of Implementation guide to Standard on Auditing (SA) 300 for illustrative format of an Audit Strategy Memo, Audit Plan and Format of Audit Planning Schedule.]		

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

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements, through understanding the entity and its environment, including the entity's internal control.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2008.

Objective

The objective of the auditor is to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels, through understanding the entity and its environment, including the entity's internal control, thereby providing a basis for designing and implementing responses to the assessed 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, that are embodied in the financial statements, as used by the auditor to consider the different types of potential misstatements that may occur.

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 and execute its strategies, or from the setting of inappropriate objectives and strategies.

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. The term "controls" refers to any aspects of one or more of the components of internal control.

Risk assessment procedures – The audit procedures performed to obtain an understanding of the entity and its environment, including the entity's internal control, to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels.

Significant risk – An identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration.

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] (<i>give comments wherever required</i>)	WP Reference
	Risk Assessment Procedures and Related Activities		
Para 5	Whether the auditor has performed risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion level? [Note: Auditor should obtain an understanding of the entity and its environment, including the entity's internal control (referred to hereafter as an "understanding of the entity"). The understanding establishes a frame of reference within which the auditor plans the audit and exercises professional judgment throughout the audit. Auditor can refer Para A1 for areas where understanding can play a major role.] [Note: Auditor can use information obtained by performing risk assessment procedures and related activities as audit evidence to support assessments of the risks of material misstatement. (Para A2) Auditor is also required to assess that whether the understanding that has been obtained is sufficient to meet the objective stated in this SA. (Para A3)] [Note: Although the auditor is required to perform all the risk assessment procedures described in paragraph 6 of the SA 315 in the course of obtaining the required understanding of the entity, the auditor is not required to perform all of them for each aspect of that understanding. Auditor can perform other procedures listed in Para A5 of this SA.]		
Para 6	Whether the risk assessment procedures include the following: • Inquiries of management, of appropriate individuals within the internal audit function (if the function exists), and others within the entity who in the auditor's judgment may have information that is likely to assist in identifying risk of material misstatement due to fraud or error • Analytical procedures • Observation and inspection? [Note: Analytical procedures may include both financial and non-financial information. When analytical procedures use data aggregated at a high level, the results of those analytical procedures only provide a broad initial indication about whether a material misstatement may exist. Accordingly, in such cases, consideration of other information that has been gathered when identifying the risks of material		

	misstatement together with the results of such analytical procedures may assist the auditor in understanding and evaluating the results of the analytical procedures. (Para A15)] [Note: Auditor can observe or inspect the entity's operation, internal control manuals, reports prepared by the management or entity's premise and plant facilities and etc., (Para A17)]		
Para 7	Whether the auditor has also considered information obtained from the auditor's client acceptance or continuance processes which are relevant to identifying risks of material misstatement?		
Para 8	Where the engagement partner has performed other engagements for the entity, whether the engagement partner has considered information obtained which is relevant to identifying risk of material misstatement?		
Para 9	Whether the auditor intends to use information obtained from the auditor's previous experience with the entity and from audit procedures performed in previous audits? If yes, whether the auditor has determined changes occurred since the previous audit that may affect its relevance to the current audit? [Note: Auditor can make inquiries and perform other appropriate audit procedures, such as walk-throughs of relevant systems to determine whether changes have occurred that may affect the relevance of such information. (Para A19)] [Note: Previous experience may assist auditor with information about such matters as: • Past misstatements and whether they were corrected on a timely basis. • The nature of the entity and its environment, and the entity's internal control (including deficiencies in internal control). • Significant changes that the entity or its operations may have undergone since the prior financial period, which may assist the auditor in gaining a sufficient understanding of the entity to identify and assess risks of material misstatement. (Para A18)]		
Para 10	Whether the engagement partner and other key engagement team members has discussed the susceptibility of entity's financial statements to material misstatement and application of applicable financial reporting framework to entity's facts and circumstances? Whether the engagement partner has determined that which matters are to be communicated to engagement team members not involved in the discussion?		
	The Required Understanding of the Entity and its Environment, Including the Entity's Internal Control		

Checklist on Standards on Auditing

Para 11	Whether the auditor has obtained an understanding of the following: - Relevant industry, regulatory and other external factors including the applicable financial reporting framework. - The nature of the entity, including: - its operations; - its ownership and governance structures; - the types of investments that the entity is making and plans to make including investments in special -purpose entities; and - the way that the entity is structured and how it is financed; - to enable the auditor to understand the classes of transactions, account balances, and disclosures to be expected in the financial statements. - The entity's selection and application of accounting policies, including the reasons for changes thereto. The auditor shall evaluate whether the entity's accounting policies are appropriate for its business and consistent with the applicable financial reporting framework and accounting policies used in the relevant industry. - The entity's objectives and strategies and those related business risks that may result in risk of material misstatement. - The measurement and review of the entity's financial performance? [Note: Auditor can refer Para A23, A25 and A28 for examples of matters that an auditor may consider while understanding industry, regulatory factors and other factors.] [Note: Auditor can refer examples listed in Para A30 of matters that can be considered when obtaining understanding of the nature of the entity.] [Note: An understanding of the entity's selection and application of accounting policies may encompass such matters as: - The methods the entity uses to account for significant and unusual transactions. - The effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. - Changes in the entity's accounting policies. - Financial reporting standards and laws and regulations that are new to the entity, and when and how the entity will adopt such requirements. (Para A34)] [Note: Auditor can refer Para A38 of this SA for examples of matters that the auditor may consider when obtaining an understanding of the entity's objectives, strategies and related business risks that may result		
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	in a risk of material misstatement of the financial statements.] [Note: The measurement and review of financial performance is not the same as the monitoring of controls, though their purposes may overlap. The measurement and review of performance is directed at whether business performance is meeting the objectives set by management. Monitoring of controls is specifically concerned with the effective operation of internal control. In some cases, however, performance indicators also provide information that enables management to identify deficiencies in internal control. (Para A43)] [Note: Auditor can refer para A44 and A45 for examples of internally-generated and external information used by management for measuring and reviewing financial performance, and which the auditor may consider.]		
	The Entity's Internal Control		
Para 12	Whether the auditor has obtained an understanding of internal control relevant to the audit? [Note: Internal Control is divided in following five components: 1. The control environment; 2. The entity's risk assessment process; 3. The information system, including the related business processes, relevant to financial reporting, and communication; 4. Control activities; and 5. Monitoring of controls (Refer A57 of SA) Auditor can refer Appendix 1–“Internal Control Components” of this SA which provides further explanation of these components of internal control.] [Note: An entity's system of internal control contains manual elements and often contains automated elements. The characteristics of manual or automated elements are relevant to the auditor's risk assessment and further audit procedures based thereon. (Para A59)] [Note: Auditor can refer Para A62 which illustrates risks IT poses to an entity's internal control.] [Note: Manual elements in internal control may be more suitable where judgment and discretion are required. Manual control elements may be less suitable where there is high volume or recurring transactions, or in situations where errors that can be anticipated or predicted can be prevented, or detected and corrected, by control parameters that are automated or Control activities where the specific ways to perform the control can be adequately designed and automated. (Para A63 & A64)] [Note: Auditor can refer Para A67 for factors relevant to the judgment about whether a control, individually or in combination with others, is		

Checklist on Standards on Auditing

	relevant to the audit.] [Note: Controls over the completeness and accuracy of information produced by the entity may be relevant to the audit if Auditor intends to make use of the information in designing and performing further procedures.(Para A68)]		
Para 13	Whether the auditor has evaluated the design of controls relevant to the audit and determined whether they have been implemented by performing procedures in addition to inquiry of the entity's personnel? [Note: Risk assessment procedures to obtain audit evidence about the design and implementation of relevant controls may include inquiring of entity personnel, observing the application of specific controls, inspecting documents and reports, tracing transactions through the information system relevant to financial reporting. (Para A73)] [Note: Auditor should note that obtaining an understanding of an entity's controls is not sufficient to test their operating effectiveness, unless there is some automation that provides for the consistent operation of the controls. (Para A74)]		
Para 14	Has the auditor evaluated following while obtaining understanding of control environment? a) Whether the management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behaviour?; and b) Whether the strengths in the control environment elements collectively provide an appropriate foundation for the other components of internal control, and whether those other components are not undermined by deficiencies in the control environment? [Note: Elements of the control environment that may be relevant when obtaining an understanding of the control environment include the following: • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices (Refer Para A76)] [Note: Auditor may also consider how management has responded to the findings and recommendations of the internal audit function regarding identified deficiencies in internal control relevant to the audit, including whether and how such responses have been implemented, and whether they have been subsequently evaluated by		

	the internal audit function. (Para A78)] [Note: The effectiveness of the design of the control environment in relation to participation by those charged with governance can be influenced by their independence from management and their ability to evaluate the actions of management, their understanding of entity's business transactions and the extent to which they evaluate whether the financial statements are prepared in accordance with the applicable financial reporting framework. (Para A79)] [Note: The control environment in itself does not prevent, or detect and correct, a material misstatement. It may, however, influence the evaluation of the effectiveness of other controls and thereby, assessment of the risks of material misstatement. (Para A82)]		
Para 15	Has the auditor obtained an understanding of the entity's process for: - Identifying business risks relevant to financial reporting objectives; - Estimating the significance of the risks; - Assessing the likelihood of their occurrence; and - Deciding about actions to address those risks?		
Para 16	Whether the entity has established risk assessment process? If yes, whether the auditor has obtained an understanding of it and result thereof? Has the auditor identified risks of material misstatement that management failed to identify while obtaining understanding of entity's risk assessment process? If yes, whether the auditor has evaluated that there was an underlying risk of a kind that the auditor expects would have been identified by the entity's risk assessment process. If there is such a risk, has the auditor obtained an understanding of why that process failed to identify it and evaluated whether the process is appropriate to its circumstances or determined if there is a significant deficiency in internal control with regard to the entity's risk assessment process?		
Para 17	Where the entity has not established the risk assessment process, has the auditor discussed with management - business risks relevant to financial reporting objectives have been identified and - how they have been addressed? [Note: Auditor shall evaluate whether the absence of a documented risk assessment process is appropriate in the circumstances or determine whether it represents a significant deficiency in internal control.]		

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Para 18	Whether the auditor has obtained an understanding of the information system, including the related business processes, relevant to financial reporting, including the following areas: • The classes of transactions in the entity's operations that are significant to the financial statements; • The procedures, within both information technology (IT) and manual systems, by which those transactions are initiated, recorded, processed, corrected as necessary, transferred to the general ledger and reported in the financial statements; • The related accounting records, supporting information and specific accounts in the financial statements that are used to initiate, record, process and report transactions; this includes the correction of incorrect information and how information is transferred to the general ledger. The records may be in either manual or electronic form; • How the information system captures events and conditions, other than transactions, that are significant to the financial statements; • The financial reporting process used to prepare the entity's financial statements, including significant accounting estimates and disclosures; • Controls surrounding journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments? [Note: The information system relevant to financial reporting objectives, which includes the accounting system, consists of the procedures and records designed and established to: • Initiate, record, process, and report entity transactions (as well as events and conditions) and to maintain accountability for the related assets, liabilities, and equity; • Resolve incorrect processing of transactions; • Process and account for system overrides or bypasses to controls; • Transfer information from transaction processing systems to the general ledger; • Capture information relevant to financial reporting for events and conditions other than transactions; and • Ensure information required to be disclosed by the applicable financial reporting framework is accumulated, recorded, processed, summarised and appropriately reported in the financial statements. (Para A88)] [Note: Non-standard journal entries to record non-recurring, unusual transactions or adjustments include consolidating adjustments and entries for a business combination or disposal or non-recurring estimates such as the impairment of an asset. (Para A90)]		
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Para 19	Whether the auditor has obtained understanding of how the entity communicates financial reporting roles and responsibilities and significant matters relating to financial reporting, including: (a) Communications between management and those charged with governance; and (b) External communications, such as those with regulatory authorities?		
Para 20	Has the auditor obtained understanding of control activities which are necessary to assess the risks of material misstatement at the assertion level and design further audit procedures responsive to assessed risks? [Note: Auditor is required to understand only those control activities related to significant class of transactions, account balance, and disclosure in the financial statements and the assertions which the auditor finds relevant in his risk assessment process.] [Note: Auditor emphasis may be on identifying and obtaining an understanding of control activities that address the areas where the auditor considers that risks of material misstatement are likely to be higher. When multiple control activities each achieve the same objective, it is unnecessary to obtain an understanding of each of the control activities related to such objective. (Para A98)]		
Para 21	Has the auditor obtained understanding of how the entity has responded to risks arising from IT? [Note: Controls over IT systems are effective when they maintain the integrity of information and the security of the data such systems process and include effective general IT-controls and application controls. (Para A102)]		
Para 22	Whether the auditor has obtained an understanding of the major activities that the entity uses to monitor internal control over financial reporting, including those related to those control activities relevant to the audit, and how the entity initiates remedial actions to deficiencies in its controls?		
Para 23	Whether the entity has an internal audit function? If yes, has the auditor obtained understanding of the nature of the internal audit function's responsibilities, its organisational status, and the activities performed, or to be performed? [Note: If the nature of the internal audit function's responsibilities and assurance activities are related to the entity's financial reporting, the auditor may also be able to use the work of the internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed directly by the auditor in obtaining audit evidence. Auditors may be more likely to be able to use the work of an entity's internal audit function when it appears, that the entity has an internal audit function that is adequately and appropriately resourced		

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	relative to the size of the entity and the nature of its operations and has a direct reporting relationship to those charged with governance. (Para A112) If, based on the auditor's preliminary understanding of the internal audit function, the auditor expects to use the work of the internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed, SA 610 (Revised) applies. (Para A113)]		
Para 24	Whether the auditor has obtained an understanding of the sources of the information used in the entity's monitoring activities and the basis upon which management considers the information to be sufficiently reliable for the purpose?		
	Identifying and Assessing the Risks of Material Misstatement		
Para 25	To provide a basis for designing and performing further audit procedures has the auditor identified and assessed the risks of material misstatement at: • the financial statement level; and • the assertion level for classes of transactions, account balances, and disclosures? [Note: Auditor can use assertions described in Para A123 of this SA for assessment of risk of material misstatement at assertion level.]		
Para 26	While identifying and assessing the risks of material misstatement, has the auditor: • Identified risks throughout the process of obtaining an understanding of the entity and its environment, including relevant controls that relate to the risks, and by considering the classes of transactions, account balances, and disclosures in the financial statements; • Assessed the identified risks, and evaluated whether they relate more pervasively to the financial statements as a whole and potentially affect many assertions; • Relate the identified risks to what can go wrong at the assertion level, taking account of relevant controls that the auditor intends to test; and • Considered the likelihood of misstatement, including the possibility of multiple misstatements, and whether the potential misstatement is of a magnitude that could result in a material misstatement? [Note: Auditor can refer Appendix 2-"Conditions and Events that May Indicate Risks of Material Misstatement" of this SA which provides examples of conditions and events that may indicate the existence of risks of material misstatement.] [Note: Controls can be either directly or indirectly related to an		

	assertion. The more indirect the relationship, the less effective that control may be in preventing, or detecting and correcting, misstatements in that assertion. For example, a sales manager's review of a summary of sales activity for specific stores by region ordinarily is only indirectly related to the completeness assertion for sales revenue. Accordingly, it may be less effective in reducing risk for that assertion than controls more directly related to that assertion, such as matching shipping documents with billing documents. (Para A130)]		
Para 27, 29	Whether the auditor has determined that any of the risks identified are, in the auditor's judgment, a significant risk? If yes, has the auditor obtained understanding of the entity's controls, including control activities, relevant to that risk? [Note: The auditor's understanding of whether the entity has designed and implemented controls for significant risks arising from non-routine or judgmental matters includes whether and how management responds to the risks. Such responses might include: • Control activities such as a review of assumptions by senior management or experts. • Documented processes for estimations. • Approval by those charged with governance. (Para A136) Where management has not implemented controls over significant risk, auditor is required to communicate the same to Those charged with Governance in accordance with Para A7 of SA 265.]		
Para 28	In exercising the judgment mentioned in Para 27 of this SA, whether the auditor has excluded the effects of identified controls related to the risk and considered following: • Whether the risk is a risk of fraud; • Whether the risk is related to recent significant economic, accounting, or other developments like changes in regulatory environment, etc., and, therefore, requires specific attention; • The complexity of transactions; • Whether the risk involves significant transactions with related parties; • The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty; and • Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual? [Note: Auditor can refer to Para A132 and A133 of this SA for matter giving rise to significant non-routine transactions and significant judgmental matters that require the development of accounting		

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	estimates.]		
Para 30	Has the auditor assessed that only substantive procedures designed in respect of the risk do not provide sufficient appropriate audit evidence in respect of some risk? If yes, has the auditor obtained understanding of entity's controls over such risks? [Note: 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. (Para 30)]		
Para 31	Where there is change in risk assessment during the course of the audit as additional audit evidence is obtained, whether the auditor has obtained audit evidence from performing further audit procedures, or if new information is obtained, either of which is inconsistent with the audit evidence on which the auditor originally based the assessment, whether the auditor has revised the assessment and modified the further planned audit procedures accordingly?		
	Documentation		
Para 32	Whether the auditor has documented following: • The discussion among the engagement team where required by paragraph 10 of this SA, and the significant decisions reached; • Key elements of the understanding obtained regarding each of the aspects of the entity and its environment specified in paragraph 11 of this SA and of each of the internal control components specified in paragraphs 14-24 of this SA; the sources of information from which the understanding was obtained; and the risk assessment procedures performed; • The identified and assessed risks of material misstatement at the financial statement level and at the assertion level as required by paragraph 25 of this SA; and • The risks identified, and related controls about which the auditor has obtained an understanding, as a result of the requirements in paragraphs 27-30 of this SA?		

SA 320, Materiality in Planning and Performing an Audit

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide to SA 320, “Materiality in Planning and Performing an Audit”.

Scope

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

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objective

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

Definition

For purposes of the SAs, performance materiality means the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. If applicable, performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.

Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
	Determining Materiality and Performance Materiality when Planning the Audit		
Para 10	When establishing the overall audit strategy, has the auditor determined materiality for the financial statements as a whole? [Note: If, in the specific circumstances of the entity, there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts be expected to influence the economic decisions of users taken on the basis of the financial statements, has the auditor also determined the materiality level or levels to be applied to those particular classes of transactions, account balances or disclosures? (Para 10)] [Note: In considering whether, in the specific circumstances of the entity, such classes of transactions, account balances or disclosures exist, the auditor may find it useful to obtain an understanding of the views and expectations of those charged with governance and management. (Para A11)] [Note: Existence of misstatements of lesser amounts than materiality for the financial statements as a whole, in one or more particular classes of transactions, account balances or disclosures, could reasonably be expected to influence the economic decisions of users and may be indicated by following factors: • Whether law, regulations or the applicable financial reporting framework affect users' expectations regarding the measurement or disclosure of certain items (for example, related party transactions, and the remuneration of management and those charged with governance). • The key disclosures in relation to the industry in which the entity operates (for example, research and development costs for a pharmaceutical company). • Whether attention is focused on a particular aspect of the entity's business that is separately disclosed in the financial statements (for example, a newly acquired business). (Para A10)]		
Para A2	Has the auditor exercised professional judgement in determining materiality? Has the auditor considered the following factors while choosing a benchmark (on which a % is applied as starting point) in		

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	determining materiality for the financial statements as a whole? • The elements of the financial statements (for example, assets, liabilities, equity, revenue, expenses); • Whether there are items on which the attention of the users of the particular entity's financial statements tends to be focused (for example, for the purpose of evaluating financial performance users may tend to focus on profit, revenue or net assets); • The nature of the entity, where the entity is at in its life cycle, and the industry and economic environment in which the entity operates; • The entity's ownership structure and the way it is financed (for example, if an entity is financed solely by debt rather than equity, users may put more emphasis on assets, and claims on them, than on the entity's earnings); and • The relative volatility of the benchmark. [Note: In relation to the chosen benchmark, relevant financial data ordinarily includes prior periods' financial results and financial positions, the period-to-date financial results and financial position, and budgets or forecasts for the current period, adjusted for significant changes in the circumstances of the entity (for example, a significant business acquisition) and relevant changes of conditions in the industry or economic environment in which the entity operates. (Para A4)] [Note: Materiality relates to the financial statements on which the auditor is reporting. Where the financial statements are prepared for a financial reporting period of more or less than twelve months, such as may be the case for a new entity or a change in the financial reporting period, materiality relates to the financial statements prepared for that financial reporting period. (Para A5)] [Note: Determining a percentage to be applied to a chosen benchmark involves the exercise of professional judgment. There is a relationship between the percentage and the chosen benchmark, such that a percentage applied to profit before tax from continuing operations will normally be higher than a percentage applied to total revenue. Higher or lower percentages, however, may be deemed appropriate in different circumstances (Para A6)]		
Para 11	Has the auditor determined performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures? [Note: Performance materiality relating to a materiality level determined for a particular class of transactions, account balance or disclosure is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in that particular class of transactions, account		

	balance or disclosure exceeds the materiality level for that particular class of transactions, account balance or disclosure. The determination of performance materiality is not a simple mechanical calculation and involves the exercise of professional judgment. It is affected by the auditor's understanding of the entity, updated during the performance of the risk assessment procedures; and the nature and extent of misstatements identified in previous audits and thereby the auditor's expectations in relation to misstatements in the current period. (Para A12)]		
	Revision as the Audit Progresses		
Para 12	Has the auditor revised materiality for the financial statements as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) in the event of becoming aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially?		
Para 13	If the auditor concludes that a lower materiality for the financial statements as a whole than that initially determined is appropriate, has the auditor determined whether it is necessary to revise performance materiality, and whether the nature, timing and extent of the further audit procedures remain appropriate?		
	Documentation		
Para 14	Has the auditor done detailed documentation including the following amounts and the factors considered in their determination? a) Materiality for the financial statements as a whole; b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures; c) Performance materiality; and d) Any revision of (a)-(c) as the audit progressed.		

SA 330, The Auditor's Responses to Assessed Risks

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with the auditor's responsibility to design and implement responses to the risks of material misstatement identified and assessed by the auditor in accordance with SA 315 in a financial statement audit.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2008.

Objective

The objective of the auditor is to obtain sufficient appropriate audit evidence about the assessed risks of material misstatement, through designing and implementing appropriate responses to those risks.

Definitions

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.

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.

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] <i>(give comments wherever required)</i>	WP Reference
Para 5	Overall Responses Whether the auditor has designed and implemented overall responses to address the assessed risks of material misstatement at the financial statement level? [Note: Auditor may include following while addressing assessed risk of material misstatement at the financial statement: • Emphasizing to the audit team the need to maintain professional skepticism. • Assigning more experienced staff or those with special skills or using experts. • Providing more supervision. • Incorporating additional elements of unpredictability in the selection of further audit procedures to be performed. • Making general changes to the nature, timing or extent of audit procedures, for example: performing substantive procedures at the period end instead of at an interim date; or modifying the nature of audit procedures to obtain more persuasive audit evidence. (Para A1)] [Note: The auditor may respond to an ineffective control environment by: • Conducting more audit procedures as of the period end rather than at an interim date. • Obtaining more extensive audit evidence from substantive procedures. • Increasing the number of locations to be included in the audit scope.(Para A2)]		
	Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level		
Para 6	Whether the auditor has designed and performed 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?		
Para 7	Whether the auditor has considered following while designing the further audit procedures to be performed: • Reasons for the assessment given to the risk of material		

	misstatement at the assertion level for each class of transactions, account balance, and disclosure including: ○ The likelihood of material misstatement due to the particular characteristics of the relevant class of transactions, account balance, or disclosure ○ Whether the risk assessment takes into account the relevant controls, thereby requiring the auditor to obtain audit evidence to determine whether the controls are operating effectively. • Obtaining more persuasive audit evidence the higher the auditor's assessment of risk? [Note: • The auditor's assessed risks may affect both the types of audit procedures to be performed and their combination. For example, when an assessed risk is high, the auditor may confirm the completeness of the terms of a contract with the counterparty, in addition to inspecting the document (Para A9). • The reasons for the assessment given to a risk are relevant in determining the nature of audit procedures. For example, if an assessed risk is lower the auditor may determine that substantive analytical procedures alone provide sufficient appropriate audit evidence. On the other hand, if the assessed risk is lower because of internal controls, and auditor intends to base the substantive procedures on that low assessment, then the auditor performs tests of those controls.(Para A10)] [Note: Auditor can refer para A13 of this SA for examples of audit procedures that can be performed only at or after the period end.] [Note: Factors that influence the auditor's consideration of when to perform audit procedures include the following: • The control environment. • When relevant information is available (for example, electronic files may subsequently be overwritten, or procedures to be observed may occur only at certain times). • The nature of the risk (for example, if there is a risk of inflated revenues to meet earnings expectations by subsequent creation of false sales agreements, the auditor may wish to examine contracts available on the date of the period end). • The period or date to which the audit evidence relates.(Para A14)]		
	Test of Controls		
Para 8	Whether the auditor designed and performed tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls when:		

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	(a) The auditor's assessment of risks of material misstatement at the assertion level includes an expectation that the controls are operating effectively (i.e., the auditor intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures); or (b) Substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level. [Note: Testing the operating effectiveness of controls is different from obtaining an understanding of and evaluating the design and implementation of controls. However, the same types of audit procedures are used. (Para A21)]		
Para 9	At the time of designing and performing tests of controls, has the auditor obtained more persuasive audit evidence so as to placing greater reliance on the effectiveness of a control?		
Para 10(a)	While designing and performing test of controls has the auditor performed other audit procedures in combination with inquiry to obtain audit evidence about the operating effectiveness of the controls, including how the control were applied at relevant times during the period under audit, the consistency with which they were applied and by whom or by what means they were applied? [Note: Auditor may consider following while determining the extent of tests of controls: • The frequency of the performance of the control by the entity during the period. • The length of time during the audit period that the auditor is relying on the operating effectiveness of the control. • The expected rate of deviation from a control. • The relevance and reliability of the audit evidence to be obtained regarding the operating effectiveness of the control at the assertion level. • The extent to which audit evidence is obtained from tests of other controls related to the assertion. (Para A28)] [Note: Auditor may consider performing following tests to determine that the control continues to function effectively: • Changes to the program are not made without being subject to the appropriate program change controls; • The authorised version of the program is used for processing transactions; and • Other relevant general controls are effective. Determining that changes to the programs have not been made, as may be the case when the entity uses packaged software applications without modifying or maintaining them. (Para A29)]		

Para 10(b)	Has the auditor determined whether the controls to be tested depend upon other controls (indirect controls), and if so, whether it is necessary to obtain audit evidence supporting the effective operation of those indirect controls?		
Para 11	Whether the auditor has tested controls for the particular time, or throughout the period, for which the auditor intends to rely on those controls, subject to paragraphs 12 and 15 of this SA, in order to provide an appropriate basis for the auditor's intended reliance?		
Para 12	Has the auditor obtained audit evidence about the operating effectiveness of controls during an interim period? If yes, has the auditor obtained audit evidence about significant changes to those controls subsequent to the interim period and determined the additional audit evidence to be obtained for the remaining period? [Note: Relevant factors in determining what additional audit evidence to obtain about controls that were operating during the period remaining after an interim period, include: • The significance of the assessed risks of material misstatement at the assertion level. • The specific controls that were tested during the interim period, and significant changes to them since they were tested, including changes in the information system, processes, and personnel. • The degree to which audit evidence about the operating effectiveness of those controls was obtained. • The length of the remaining period. • The extent to which the auditor intends to reduce further substantive procedures based on the reliance of controls. • The control environment. (Para A33)]		
Para 13	In determining whether it is appropriate to use audit evidence about the operating effectiveness of controls obtained in previous audits, and, if so, the length of the time period that may elapse before retesting a control, whether the auditor has considered the following: • The effectiveness of other elements of internal control, including the control environment, the entity's monitoring of controls, and the entity's risk assessment process; • The risks arising from the characteristics of the control, including whether it is manual or automated; • The effectiveness of general IT-controls; • The effectiveness of the control and its application by the entity, including the nature and extent of deviations in the application of		

Checklist on Standards on Auditing

	the control noted in previous audits, and whether there have been personnel changes that significantly affect the application of the control; • Whether the lack of a change in a particular control poses a risk due to changing circumstances; and • The risks of material misstatement and the extent of reliance on the control?		
Para 14	When the auditor plans to use audit evidence from a previous audit about the operating effectiveness of specific controls, whether the auditor has established the continuing relevance of that evidence by obtaining audit evidence about significant changes in those controls that have occurred subsequent to the previous audit. If yes, whether the auditor has obtained this evidence by performing inquiry combined with observation or inspection, to confirm the understanding of those specific controls, and: (a) When there have been changes that affect the continuing relevance of the audit evidence from the previous audit, the auditor shall test the controls in the current audit. (b) When 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 to avoid the possibility of testing all the controls on which the auditor intends to rely in a single audit period with no testing of controls in the subsequent two audit periods. [Note: Factors that may decrease the period for retesting a control or result in not relying on audit evidence obtained in previous audits at all, include the following: • A deficient control environment. • Deficient monitoring of controls. • A significant manual element to the relevant controls. • Personnel changes that significantly affect the application of the control. • Changing circumstances that indicate the need for changes in the control. • Deficient general IT-controls. (Para A38)]		
Para 15	Has the auditor planned to rely on controls over a risk the auditor has determined to be a significant risk? If yes, whether the auditor has tested these controls in current period?		
Para 16	While evaluating the operating effectiveness of relevant controls, whether the auditor detected misstatement while performing substantive procedures?		

	If yes, whether the auditor has evaluated that the misstatement ascertained indicate that controls are not operating effectively? [Note: The absence of misstatements detected by substantive procedures, however, does not provide audit evidence that controls related to the assertion being tested are effective.]		
Para 17	Has the auditor detected deviations from controls upon which the auditor intends to rely? If yes, whether the auditor has made specific inquiries to understand these matters and their potential consequences and determined whether the tests of controls that have been performed provide an appropriate basis for reliance on the controls, whether additional tests of controls are necessary or whether the potential risks of misstatement need to be addressed using substantive procedures? [Note: Deviations from prescribed controls may be caused by such factors as changes in key personnel, significant seasonal fluctuations in volume of transactions and human error. (Para A41)]		
	Substantive Procedures		
Para 18	Has the auditor designed and performed substantive procedures for each material class of transactions, account balance, and disclosure? [Note: Because the assessment of the risk of material misstatement takes account of internal control, the extent of substantive procedures may need to be increased when the results from tests of controls are unsatisfactory. (Para A46)]		
Para 19	Has the auditor considered performing external confirmation procedures as substantive audit procedures? [Note: Situations where external confirmation procedures may provide relevant audit evidence in responding to assessed risks of material misstatement include: • Bank balances and other information relevant to banking relationships. • Accounts receivable balances and terms. • Inventories held by third parties at bonded warehouses for processing or on consignment. • Property title deeds held by lawyers or financiers for safe custody or as security. • Investments held for safekeeping by third parties or purchased from stockbrokers but not delivered at the balance sheet date. • Amounts due to lenders, including relevant terms of repayment and restrictive covenants.		

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	- Accounts payable balances and terms. (Para A48)] [Note: Factors that may assist the auditor in determining whether external confirmation procedures are to be performed as substantive audit procedures include: - The confirming party's knowledge of the subject matter - The ability or willingness of the intended confirming party to respond - The objectivity of the intended confirming party. (Para A51)]		
Para 20	Has the auditor included following substantive procedures related to the financial statement closing process: - Agreed or reconciled the financial statements with the underlying accounting records; and - Examined material journal entries and other adjustments made during the course of preparing the financial statements?		
Para 21	Has the auditor determined that an assessed risk of material misstatement at the assertion level is a significant risk? If yes, whether the auditor has performed substantive procedures that are specifically responsive to that risk? [Note: When the approach to a significant risk consists only of substantive procedures, those procedures shall include tests of details.]		
Para 22	Has the auditor performed substantive procedures at an interim date? If yes, whether the auditor covered the remaining period by performing substantive procedures, combined with tests of controls for the intervening period or if the auditor determines that it is sufficient, further substantive procedures only, that provided a reasonable basis for extending the audit conclusions from the interim date to the period end? [Note: Auditor can refer Para A56 and A57 of this SA which provides list of factors that may influence whether to perform substantive procedures at an interim date or whether to perform substantive analytical procedures with respect to the period between the interim date and the period end.]		
Para 23	Has the auditor detected misstatements that the auditor did not expect when assessing the risks of material misstatement at an interim date? If yes, whether the auditor evaluated that whether the related assessment of risk and the planned nature, timing, or extent of substantive procedures covering the remaining period need to be modified?		

	Adequacy of Presentation and Disclosure		
Para 24	Whether the auditor has performed audit procedures to evaluate whether the overall 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		
Para 25	Has the auditor evaluated appropriateness of the assessments of the risks of material misstatement at the assertion level before conclusion of audit based on the audit procedures performed and the audit evidence obtained?		
Para 26	Whether the auditor has concluded that sufficient appropriate audit evidence has been obtained? [Note: The auditor's judgment as to what constitutes sufficient appropriate audit evidence is influenced by such factors as the following: • Significance of the potential misstatement in the assertion and the likelihood of its having a material effect, individually or aggregated with other potential misstatements, on the financial statements. • Effectiveness of management's responses and controls to address the risks. • Experience gained during previous audits with respect to similar potential misstatements. • Results of audit procedures performed, including whether such audit procedures identified specific instances of fraud or error. • Source and reliability of the available information. • Persuasiveness of the audit evidence. • Understanding of the entity and its environment, including the entity's internal control. (Para A62)]		
Para 27	If sufficient appropriate audit evidence as to a material financial statement assertion has not been obtained whether the auditor attempted to obtain further audit evidence? Whether auditor been able to obtain sufficient appropriate audit evidence post the said attempt? If no, has the auditor expressed a qualified opinion or a disclaimer of opinion?		
	Documentation		

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Para 28	Has the auditor documented following: • The overall responses to address the assessed risks of material misstatement at the financial statement level, and the nature, timing and extent of the further audit procedures performed; • The linkage of those procedures with the assessed risks at the assertion level; and • The results of the audit procedures, including the conclusions where these are not otherwise clear?		
Para 29	Has the auditor planned to use audit evidences about the operating effectiveness of controls obtained in previous audits? If yes, whether the auditor documented the conclusions reached about relying on such controls that were tested in a previous audit?		
Para 30	Whether the auditor's documentation demonstrate that the financial statements agree or reconcile with the underlying accounting records?		

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

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with the user auditor's responsibility to obtain sufficient appropriate audit evidence when a user entity uses the services of one or more service organisations. Specifically, it expands on how the user auditor applies SA 315 and SA 330 in obtaining an understanding of the user entity, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement and in designing and performing further audit procedures responsive to those risks. Services provided by a service organisation are relevant to the audit of a user entity's financial statements when those services, and the controls over them, are part of the user entity's information system, including related business processes, relevant to financial reporting. A service organisation's services are part of a user entity's information system, including related business processes, relevant to Financial reporting if these services affect any of the following:

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

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

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objectives

The objectives of the user auditor, when the user entity uses the services of a service organisation, are:

- (a) To obtain an understanding of the nature and significance of the services provided by the service organisation and their effect on the user entity's internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement; and
- (b) To design and perform audit procedures responsive to those risks.

Definitions

Complementary user entity controls – Controls that the service organisation assumes, in the design of its service, will be implemented by user entities, and which, if necessary to achieve control objectives, are identified in the description of its system.

Report on the description and design of controls at a service organisation (referred to in this SA as a Type 1 report) – A report that comprises:

- (i) A description, prepared by management of the service organisation, of the service organisation's system, control objectives and related controls that have been designed and implemented as at a specified date; and
- (ii) A report by the service auditor with the objective of conveying reasonable assurance that includes the service auditor's opinion on the description of the service organisation's system, control objectives and related controls and the suitability of the design of the controls to achieve the specified control objectives.

Report on the description, design, and operating effectiveness of controls at a service organisation (referred to in this SA as a Type 2 report) – A report that comprises:

- (i) A description, prepared by management of the service organisation, of the service organisation's system, control objectives and related controls, their design and implementation as at a specified date or throughout a specified period and, in some cases, their operating effectiveness throughout a specified period; and
- (ii) A report by the service auditor with the objective of conveying reasonable assurance that includes:
 - a. The service auditor's opinion on the description of the service organisation's system, control objectives and related controls, the suitability of the design of the controls to achieve the specified control objectives, and the operating effectiveness of the controls; and
 - b. A description of the service auditor's tests of the controls and the results thereof.

Service auditor – An auditor who, at the request of the service organisation, provides an assurance report on the controls of a service organisation.

Service organisation – A third-party organisation (or segment of a third party organisation) that provides services to user entities that are part of those entities' information systems relevant to Financial reporting.

Service organisation's system – The policies and procedures designed, implemented and maintained by the service organisation to provide user entities with the services covered by the service auditor's report.

Subservice organisation – A service organisation used by another service organisation to perform some of the services provided to user entities that are part of those user entities' information systems relevant to financial reporting.

User auditor – An auditor who audits and reports on the financial statements of a user entity.

User entity – An entity that uses a service organisation and whose financial statements are being audited.

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] (<i>give comments wherever required</i>)	WP Reference
	Obtaining an Understanding of the Services Provided by a Service Organisation, Including Internal Control		
Para 9	Has the user auditor obtained understanding of how user entity uses services of a service organization in the user entity's operation? If yes, whether user auditor has obtained understanding of: • The nature of the services provided by the service organisation and the significance of those services to the user entity, including the effect thereof on the user entity's internal control; • The nature and materiality of the transactions processed or accounts or financial reporting processes affected by the service organisation; • The degree of interaction between the activities of the service organisation and those of the user entity; and • The nature of the relationship between the user entity and the service organisation, including the relevant contractual terms for the activities undertaken by the service organisation? [Note: Examples of service organisation services that are relevant to the audit include: • Maintenance of the user entity's accounting records. • Management of assets. • Initiating, recording or processing transactions as agent of the user entity. (Para A4)]		
Para A8	Has the user auditor obtained and evaluated contract or service level agreement (SLA) between the user entity and the service organisation? If yes, whether the user auditor evaluated that the said contract or SLA contains following matters: • The information to be provided to the user entity and responsibilities for initiating transactions relating to the activities undertaken by the service organisation; • The application of requirements of regulatory bodies concerning the form of records to be maintained, or access to them; • The indemnification, if any, to be provided to the user entity in the		

	event of a performance failure; • Whether the service organisation will provide a report on its controls and, if so, whether such report would be a Type 1 or Type 2 report?; • Whether the user auditor has rights of access to the accounting records of the user entity maintained by the service organisation and other information necessary for the conduct of the audit?; and • Whether the agreement allows for direct communication between the user auditor and the service auditor?		
Para 10	Whether the user auditor has evaluated design and implementation of relevant controls at the user entity relating to services and transactions processed by service organisation? [Note: These controls may include: • Comparing the data submitted to the service organisation with reports of information received from the service organisation after the data has been processed. • Recomputing a sample of the overall amount for clerical accuracy and reviewing the total amount for reasonableness. (Para A12)]		
Para 11	Whether a sufficient understanding of the nature and significance of the services provided by the service organisation and their effect on the user entity's internal control relevant to the audit has been obtained to provide a basis for the identification and assessment of risks of material misstatement?		
Para 12	Whether the user auditor is unable to obtain a sufficient understanding from the user entity? If yes, has the user auditor obtained that understanding from one or more of the following procedures: (a) Obtaining a Type 1 or Type 2 report, if available; (b) Contacting the service organisation, through the user entity, to obtain specific information; (c) Visiting the service organisation and performing procedures that will provide the necessary information about the relevant controls at the service organisation; or (d) Using another auditor to perform procedures that will provide the necessary information about the relevant controls at the service organisation? [Note: The user auditor's decision as to which procedure, individually or in combination, in paragraph 12 of this SA to undertake, in order to obtain the information necessary to provide a basis for the identification and assessment of the risks of material misstatement in relation to the		

Checklist on Standards on Auditing

	user entity's use of the service organisation, may be influenced by such matters as: • The size of both the user entity and the service organisation; • The complexity of the transactions at the user entity and the complexity of the services provided by the service organisation; • The location of the service organisation (for example, the user auditor may decide to use another auditor to perform procedures at the service organisation on the user auditor's behalf if the service organisation is in a remote location); • Whether the procedure(s) is expected to effectively provide the user auditor with sufficient appropriate audit evidence; and • The nature of the relationship between the user entity and the service organisation.(Para A15)]		
	Using a Type 1 or Type 2 Report to Support the User Auditor's Understanding of the Service Organisation		
Para 13	In determining the sufficiency and appropriateness of the audit evidence provided by a Type 1 or Type 2 report, whether the user auditor satisfied as to: (a) The service auditor's professional competence (except where the service auditor is a member of the Institute of Chartered Accountants of India) and independence from the service organisation; and (b) The adequacy of the standards under which the Type 1 or Type 2 report was issued?		
Para 14	Whether the user auditor planned to use a Type 1 or Type 2 report as audit evidence to support the user auditor's understanding about the design and implementation of controls at the service organisation? If yes, has the user auditor: (a) Evaluated whether the description and design of controls at the service organisation is at a date or for a period that is appropriate for the user auditor's purposes; (b) Evaluated the sufficiency and appropriateness of the evidence provided by the report for the understanding of the user entity's internal control relevant to the audit; and (c) Determined whether complementary user entity controls identified by the service organisation are relevant to the user entity and, if so, obtain an understanding of whether the user entity has designed and implemented such controls? [Note: A Type 1 or Type 2 report, along with information about the user entity, may assist the user auditor in obtaining an understanding of: (a) The aspects of controls at the service organisation that may affect		

	the processing of the user entity's transactions, including the use of subservice organisations; (b) The flow of significant transactions through the service organisation to determine the points in the transaction flow where material misstatements in the user entity's financial statements could occur; (c) The control objectives at the service organisation that are relevant to the user entity's financial statement assertions; and (d) Whether controls at the service organisation are suitably designed and implemented to prevent or detect processing errors that could result in material misstatements in the user entity's financial statements. (Para A22)]		
	Responding to the Assessed Risks of Material Misstatement		
Para 15	In responding to assessed risks in accordance with SA 330, has the user auditor: (a) Determined whether sufficient appropriate audit evidence concerning the relevant financial statement assertions is available from records held at the user entity; and, if not, (b) Performed further audit procedures to obtain sufficient appropriate audit evidence or use another auditor to perform those procedures at the service organisation on the user auditor's behalf.		
Para A26	Has the user auditor performed following procedures in determining the nature and extent of audit evidence to be obtained in relation to balances representing assets held or transactions undertaken by a service organisation on behalf of the user entity? (a) Inspecting records and documents held by the user entity. (b) Inspecting records and documents held by the service organisation. (c) Obtaining confirmations of balances and transactions from the service organisation. (d) Performing analytical procedures on the records maintained by the user entity or on the reports received from the service organisation.		
	Tests of Controls		
Para 16	Whether the user auditor's risk assessment includes an expectation that controls at the service organisation are operating effectively? If yes, has the user auditor obtained audit evidence about the operating effectiveness of those controls from one or more of the following procedures:		

Checklist on Standards on Auditing

	(a) Obtaining a Type 2 report, if available; (b) Performing appropriate tests of controls at the service organisation; or (c) Using another auditor to perform tests of controls at the service organisation on behalf of the user auditor? [Note: If a Type 2 report is not available, a user auditor may contact the service organisation, through the user entity, to request that a service auditor be engaged to provide a Type 2 report that includes tests of the operating effectiveness of the relevant controls or the user auditor may use another auditor to perform procedures at the service organisation that test the operating effectiveness of those controls. A user auditor may also visit the service organisation and perform tests of relevant controls if the service organisation agrees to it. The user auditor's risk assessments are based on the combined evidence provided by the work of another auditor and the user auditor's own procedures. (Para A30)]		
	Using a Type 2 Report as Audit Evidence that Controls at the Service Organisation Are Operating Effectively		
Para 17	Where the user auditor has used a Type 2 report as audit evidence that controls at the service organization are operating effectively. Has the user auditor determined whether the service auditor's report provides sufficient appropriate audit evidence about the effectiveness of the controls to support the user auditor's risk assessment by: (a) Evaluating whether the description, design and operating effectiveness of controls at the service organisation is at a date or for a period that is appropriate for the user auditor's purposes; (b) Determining whether complementary user entity controls identified by the service organisation are relevant to the user entity and, if so, obtaining an understanding of whether the user entity has designed and implemented such controls and, if so, testing their operating effectiveness; (c) Evaluating the adequacy of the time period covered by the tests of controls and the time elapsed since the performance of the tests of controls; and (d) Evaluating whether the tests of controls performed by the service auditor and the results thereof, as described in the service auditor's report, are relevant to the assertions in the user entity's financial statements and provide sufficient appropriate audit evidence to support the user auditor's risk assessment?		
Para A31	In assessing that the service auditor's report provides sufficient appropriate audit evidence about the effectiveness of the controls to support the user auditor's risk assessment, has the user auditor		

	considered following factors: (a) The time period covered by the tests of controls and the time elapsed since the performance of the tests of controls; (b) The scope of the service auditor's work and the services and processes covered, the controls tested and tests that were performed, and the way in which tested controls relate to the user entity's controls; and (c) The results of those tests of controls and the service auditor's opinion on the operating effectiveness of the controls?		
Para A33	Has the user auditor assessed that it is necessary for the user auditor to obtain additional evidence about significant changes to the relevant controls at the service organisation outside of the period covered by the Type 2 report or determine additional audit procedures to be performed? If yes, whether following factors considered in determining what additional audit evidence to obtain about controls at the service organisation that were operating outside of the period covered by the service auditor's report? • The significance of the assessed risks of material misstatement at the assertion level; • The specific controls that were tested during the interim period, and significant changes to them since they were tested, including changes in the information system, processes, and personnel; • The degree to which audit evidence about the operating effectiveness of those controls was obtained; • The length of the remaining period; • The extent to which the user auditor intends to reduce further substantive procedures based on the reliance on controls; and • The effectiveness of the control environment and monitoring of controls at the user entity.		
Para A36	In certain circumstances, a service provided by the service organisation may be designed with the assumption that certain controls will be implemented by the user entity. For example, the service may be designed with the assumption that the user entity will have controls in place for authorising transactions before they are sent to the service organisation for processing. In such a situation, the service organisation's description of controls may include a description of those complementary user entity controls. Has the user auditor considered whether those complementary user entity controls are relevant to the service provided to the user entity?		

Checklist on Standards on Auditing

Para A39	Has the user auditor communicated significant deficiencies identified during the audit to management and those charged with governance of the user entity on a timely basis which may include the following: - Any monitoring of controls that could be implemented by the user entity, including those identified as a result of obtaining a Type 1 or Type 2 report; - Instances where complementary user entity controls are noted in the Type 1 or Type 2 report and are not implemented at the user entity; and - Controls that may be needed at the service organisation that do not appear to have been implemented or that are not specifically covered by a Type 2 report?		
	Type 1 and Type 2 Reports that Exclude the Services of a Subservice Organisation		
Para 18	Whether user auditor planned to use a Type 1 or a Type 2 report that excludes the services provided by a subservice organisation and those services are relevant to the audit of the user entity's financial statements? If yes, has the user auditor applied the requirements of this SA with respect to the services provided by the subservice organisation?		
	Fraud, Non-Compliance with Laws and Regulations and Uncorrected Misstatements in Relation to Activities at the Service Organisation		
Para 19	Whether the service organisation has reported to the user entity, or whether the user entity is otherwise aware of, any fraud, non-compliance with laws and regulations or uncorrected misstatements affecting the financial statements of the user entity? If yes, has the user auditor evaluated how such matters affect the nature, timing and extent of the user auditor's further audit procedures, including the effect on the user auditor's conclusions and user auditor's report?		
	Reporting by the User Auditor		
Para 20	Whether the user auditor obtained sufficient appropriate audit evidence regarding the services provided by the service organisation relevant to the audit of the user entity's financial statements? If not, has the user auditor modified the opinion in the user auditor's report in accordance with SA 705(Revised)?		

	[Note: When a user auditor is unable to obtain sufficient appropriate audit evidence regarding the services provided by the service organisation relevant to the audit of the user entity's financial statements, a limitation on the scope of the audit exists. This may be the case when: • The user auditor is unable to obtain a sufficient understanding of the services provided by the service organisation and does not have a basis for the identification and assessment of the risks of material misstatement; • A user auditor's risk assessment includes an expectation that controls at the service organisation are operating effectively and the user auditor is unable to obtain sufficient appropriate audit evidence about the operating effectiveness of these controls; or • Sufficient appropriate audit evidence is only available from records held at the service organisation, and the user auditor is unable to obtain direct access to these records. (Para A42)]		
Para 21	Has the user auditor referred to the work of a service auditor in the user auditor's report containing an unmodified opinion unless required by law or regulation to do so? If such reference is required by law or regulation, whether the user auditor's report has indicated that the reference does not diminish the user auditor's responsibility for the audit opinion?		
Para 22	Whether reference to the work of a service auditor is relevant to an understanding of a modification to the user auditor's opinion? If yes, has the user auditor's report indicate that such reference does not diminish the user auditor's responsibility for that opinion?		

SA 450, Evaluation of Misstatements Identified during the Audit

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with the auditor's responsibility to evaluate the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements. SA 700 (Revised) deals with the auditor's responsibility, in forming an opinion on the financial statements, to conclude whether reasonable assurance has been obtained about whether the financial statements as a whole are free from material misstatement. The auditor's conclusion required by SA 700 (Revised) takes into account the auditor's evaluation of uncorrected misstatements, if any, on the financial statements, in accordance with this SA. SA 320 deals with the auditor's responsibility to apply the concept of materiality appropriately in planning and performing an audit of financial statements.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objective

The objective of the auditor is to evaluate:

- (a) The effect of identified misstatements on the audit; and
- (b) The effect of uncorrected misstatements, if any, on the financial statements.

Definitions

Misstatement – A difference between the amounts, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud. When the auditor expresses an opinion on whether the financial statements give a true and fair view or are presented fairly, in all material respects, misstatements also include those adjustments of amounts, classifications, presentation, or disclosures that, in the auditor's judgment, are necessary for the financial statements to give a true and fair view or present fairly, in all material respects.

Misstatements may result from:

- (a) An inaccuracy in gathering or processing data from which the financial statements are prepared;
- (b) An omission of an amount or disclosure;
- (c) An incorrect accounting estimate arising from overlooking, or clear misinterpretation of, facts; and
- (d) Judgments of management concerning accounting estimates that the auditor considers unreasonable or the selection and application of accounting policies that the auditor considers inappropriate.

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

Factual misstatements – Misstatements about which there is no doubt.

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
	Accumulation of Identified Misstatements		
Para 5	Has the auditor accumulated misstatements identified during the audit, other than those that are clearly trivial? [Note: The auditor may designate an amount below which misstatements would be clearly trivial and would not need to be accumulated because the auditor expects that the accumulation of such amounts clearly would not have a material effect on the financial statements. “Clearly trivial” is not another expression for “not material”. Matters that are “clearly trivial” will be of a wholly different(smaller) order of magnitude than materiality determined in accordance with SA 320, and will be matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial. (Para A2)] [Note: To assist the auditor in evaluating the effect of misstatements accumulated during the audit and in communicating misstatements to management and those charged with governance, it may be useful to distinguish between factual misstatements, judgmental misstatements and projected misstatements. (Para A3)]		
	Consideration of Identified Misstatements as the Audit Progresses		
Para 6, 7	Whether the auditor has determined that the overall audit strategy and audit plan need to be revised, if: - the nature of identified misstatements and the circumstances of their occurrence indicate that other misstatements may exist that, when aggregated with misstatements accumulated during the audit, could be material. - the aggregate of misstatements accumulated during the audit approaches materiality determined in accordance with SA 320. - in case of b) above, if the aggregate of misstatements accumulated during the audit approaches materiality determined in accordance with SA 320, whether the auditor has assessed if a greater than an acceptably low level of risk that possible undetected misstatements exists and when taken with the aggregate of misstatements accumulated during the audit,		

	could exceed the materiality. (Para A5) (Undetected misstatements could exist because of the presence of sampling risk and non-sampling risk) If, at the auditor's request, management has examined a class of transactions, account balance or disclosure and corrected misstatements that were detected, has the auditor performed additional audit procedures to determine whether misstatements remain. [Note: The auditor may request management to examine a class of transactions, account balance or disclosure in order for management to understand the cause of a misstatement identified by the auditor, perform procedures to determine the amount of the actual misstatement in the class of transactions, account balance or disclosure, and to make appropriate adjustments to the financial statements. (Para A6)]		
	Communication and Correction of Misstatements		
Para 8	a) Has the auditor communicated on a timely basis all misstatements accumulated during the audit with the appropriate level of management, unless prohibited by law or regulation. b) Has the auditor requested the management to correct those misstatements. [Note: Ordinarily, the appropriate level of management is the one that has responsibility and authority to evaluate the misstatements and to take the necessary action. (Para A7)] [Note: Law or regulation may restrict the auditor's communication of certain misstatements to management, or others, within the entity. For example, laws or regulations may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act. In some circumstances, potential conflicts between the auditor's obligations of confidentiality and obligations to communicate may be complex. In such cases, the auditor may consider seeking legal advice. (Para A8)] [Note: The correction by management of all misstatements, including those communicated by the auditor, enables management to maintain accurate accounting books and records and reduces the risks of material misstatement of future financial statements because of the cumulative effect of immaterial uncorrected misstatements related to prior periods. (Para A9)]		
Para 9	If management refuses to correct some or all of the misstatements communicated by the auditor, has the auditor obtained an understanding of management's reasons for not making the		

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	corrections. If yes, has the auditor taken that understanding into account when evaluating whether the financial statements as a whole are free from material misstatement.		
Para 10	Has the auditor, prior to evaluating the effect of uncorrected misstatements, reassessed the materiality determined in accordance with SA 320 to confirm whether it remains appropriate in the context of the entity's actual financial results. [Note: If the auditor's reassessment of materiality determined in accordance with SA 320 gives rise to a lower amount (or amounts), then performance materiality and the appropriateness of the nature, timing and extent of the further audit procedures, are reconsidered so as to obtain sufficient appropriate audit evidence on which to base the audit opinion. (Para A12)]		
Para 11	a) Has the auditor determined whether uncorrected misstatements are material, individually or in aggregate. b) In making the above determination, whether the auditor has considered the following: 1. The size and nature of the misstatements, both in relation to particular classes of transactions, account balances or disclosures and the financial statements as a whole, and the particular circumstances of their occurrence; and 2. The effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. [Note: If an individual misstatement is judged to be material, it is unlikely that it can be offset by other misstatements. (Para A14).] [Note: Determining whether a classification misstatement is material involves the evaluation of qualitative considerations, such as the effect of the classification misstatement on debt or other contractual covenants, the effect on individual line items or sub-totals, or the effect on key ratios. There may be circumstances where the auditor concludes that a classification misstatement is not material in the context of the financial statements as a whole, even though it may exceed the materiality level or levels applied in evaluating other misstatements. (Para A15)] [Note: SA 240, explains how the implications of a misstatement that is, or may be, the result of fraud, ought to be considered in relation to other aspects of the audit, even if the size of the misstatement is not material in relation to the financial statements. (Para A17)] [Note: Issues such as public interest, accountability, probity and ensuring effective legislative oversight, in particular, may affect the assessment whether an item is material by virtue of its nature. This is particularly so for items that relate to compliance with regulation,		

	legislation or other authority. (Para A20)]		
Para A16	The circumstances related to some misstatements may cause the auditor to evaluate them as material, individually or when considered together with other misstatements accumulated during the audit, even if they are lower than the materiality for the financial statements as a whole. Whether the auditor has considered the following circumstances that may affect the evaluation include the extent to which the misstatement: a) affects compliance with regulatory requirements; b) affects compliance with debt covenants or other contractual requirements; c) relates to the incorrect selection or application of an accounting policy that has an immaterial effect on the current period's financial statements but is likely to have a material effect on future periods' financial statements; d) makes a change in earnings or other trends, especially in the context of general economic and industry conditions; e) affects ratios used to evaluate the entity's financial position, results of operations or cash flows; f) affects segment information presented in the financial statements; g) has the effect of increasing management compensation; h) is significant having regard to the auditor's understanding of known previous communications to users; i) relates to items involving particular parties; j) is an omission of information not specifically required by the applicable financial reporting framework but which, in the judgment of the auditor, is important to the users' understanding of the financial position, financial performance or cash flows of the entity; k) affects other information to be included in the entity's annual report that may reasonably be expected to influence the economic decisions of the users of the financial statements.		
	Communication with Those Charged with Governance		
Para 12	a) Whether the auditor has communicated with those charged with governance, uncorrected misstatements and the effect that they, individually or in aggregate, may have on the opinion in the auditor's report, unless prohibited by law or regulation. b) Whether the auditor's communication has identified material uncorrected misstatements individually. c) Whether the auditor has requested that uncorrected		

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	misstatements be corrected. [Note: Where there is a large number of individual immaterial uncorrected misstatements, the auditor may communicate the number and overall monetary effect of the uncorrected misstatements, rather than the details of each individual uncorrected misstatement. (Para A22)] [Note: SA 260(Revised) requires the auditor to communicate with those charged with governance the written representations the auditor is requesting. The auditor may discuss with those charged with governance the reasons for, and the implications of, a failure to correct misstatements, having regard to the size and nature of the misstatement judged in the surrounding circumstances, and possible implications in relation to future financial statements. (Para A23)]		
Para 13	Whether the auditor has also communicated with those charged with governance the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.		
	Written Representation		
Para 14	a) Whether the auditor has requested a written representation from management and, where appropriate, those charged with governance whether they believe the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. b) Whether the auditor has included a summary of such items in or attached to the written representation. [Note: In some circumstances, management and, where appropriate, those charged with governance may not believe that certain uncorrected misstatements are misstatements. For that reason, they may want to add to their written representation words such as: “We do not agree that itemsand constitute misstatements because [description of reasons].” Obtaining this representation does not, however, relieve the auditor of the need to form a conclusion on the effect of uncorrected misstatements. (Para A24)]		
	Documentation		
Para 15	Has the auditor included the following in the audit documentation: a) The amount below which misstatements would be regarded as clearly trivial; b) All misstatements accumulated during the audit and whether they have been corrected; and c) The auditor’s conclusion as to whether uncorrected misstatements are material, individually or in aggregate, and		

	the basis for that conclusion. [Note: The auditor's documentation of uncorrected misstatements may take into account: (a) The consideration of the aggregate effect of uncorrected misstatements; (b) The evaluation of whether the materiality level or levels for particular classes of transactions, account balances or disclosures, if any, have been exceeded; and (c) The evaluation of the effect of uncorrected misstatements on key ratios or trends, and compliance with legal, regulatory and contractual requirements (for example, debt covenants). (Para A25)]		
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Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) explains what constitutes audit evidence in an audit of financial statements, and deals with the auditor's responsibility to design and perform audit procedures to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion. This SA is applicable to all the audit evidence obtained during the course of the audit. Other SAs deal with specific aspects of the audit (for example, SA 315, the audit evidence to be obtained in relation to a particular topic (for example, SA 570(Revised)), specific procedures to obtain audit evidence (for example, SA 520), and the evaluation of whether sufficient appropriate audit evidence has been obtained (SA 200 and SA 330).

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2009.

Objective

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

Definitions

For purposes of the SAs, the following terms have the meanings attributed below:

Accounting records – The records of initial accounting entries and supporting records, such as checks and records of electronic fund transfers; invoices; contracts; the general and subsidiary ledgers, journal entries and other adjustments to the financial statements that are not reflected in journal entries; and records such as work sheets and spreadsheets supporting cost allocations, computations, reconciliations and disclosures.

Appropriateness (of audit evidence) – The measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based.

Audit evidence – Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and information obtained from other sources.

Management's expert – An individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements.

Sufficiency (of audit evidence) – The measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the auditor's assessment of the risks of material misstatement and also by the quality of such audit evidence.

Relevance deals with the logical connection with, or bearing upon, the purpose of the audit procedure and, where appropriate, the assertion under consideration. The relevance of information to be used as audit evidence may be affected by the direction of testing.

Tests of controls are designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level. Designing tests of controls to

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obtain relevant audit evidence includes identifying conditions (characteristics or attributes) that indicate performance of a control, and deviation conditions which indicate departures from adequate performance. The presence or absence of those conditions can then be tested by the auditor.

Substantive procedures are designed to detect material misstatements at the assertion level. They comprise tests of details and substantive analytical procedures. Designing substantive procedures includes identifying conditions relevant to the purpose of the test that constitute a misstatement in the relevant assertion.

Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
	Sufficient Appropriate Audit Evidence		
Para 6, A10	Has the auditor designed and performed following audit procedures that are appropriate in the circumstances to obtain sufficient appropriate audit evidence? • Risk assessment Procedures • Test of Controls; and • Substantive procedures		
Para A1	Whether the auditor has obtained sufficient and appropriate audit evidence to support auditor's opinion and report?		
Para A2	Has the auditor performed following procedures to obtain audit evidence: • Inspection • Observation • Confirmation • Recalculation • Reperformance • Analytical Procedures		
Para A6	Whether sufficient appropriate audit evidence has been obtained to reduce audit risk to an acceptably low level, and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion?		
Para A8	Has the auditor obtained consistent audit evidence from different sources or of a different nature than from items of audit evidence considered individually? For example, corroborating information obtained from a source independent of the entity may increase the assurance the auditor obtains from audit evidence that is generated internally, such as evidence existing within the accounting records, minutes of meetings, or a management representation. [Note: Information from sources independent of the entity that the auditor may use as audit evidence may include confirmations from third parties, analysts' reports, and comparable data about		

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	competitors (benchmarking data). (Para A9)]		
Para A13	If electronic information cannot be retrievable after a specified period of time, has the auditor requested for retention of some information for auditor's review or to perform audit procedures at a time when the information is available?		
Para A14	Whether the auditor has examined records or documents, whether internal or external, in paper form, electronic form, or other media, or a physical examination of an asset while performing inspection?		
Para A17	While performing observation to obtain audit evidence, has the auditor looked at a process or procedure being performed by others?		
Para A18	While performing external confirmation procedures, has the auditor obtained direct written response from a third party (the confirming party), in paper form, or by electronic or other medium?		
Para A19	While performing recalculation, has the auditor checked the mathematical accuracy of documents or records, manually or electronically?		
Para A20	While reperforming, has the auditor independently executed procedures or controls that were originally performed as part of the entity's internal control?		
Para A21	While performing analytical procedures, has the auditor : • Evaluated the financial information made by a study of plausible relationships among both financial and non-financial data, • Investigated the identified fluctuations and relationships that are inconsistent with other relevant information or deviate significantly from predicted amounts.		
Para A22	While performing inquiry, has the auditor obtained information of knowledgeable persons, both financial and non- financial, within the entity or outside the entity?		
Para A23	Whether responses to inquiries provided the auditor with information • not previously possessed or with corroborative audit evidence or • that differs significantly from other information that the auditor has obtained? If yes, has the auditor modified or performed additional audit procedures?		
Para A24	While performing inquiry, has the auditor identified that the information available to support management's intent is limited?		

	If yes, has the auditor understood management's past history of carrying out its stated intentions, management's stated reasons for choosing a particular course of action, and management's ability to pursue a specific course of action?		
Para A25	Has the auditor obtained written representations from management and, where appropriate, those charged with governance to confirm responses to oral inquiries?		
	Information to be Used as Audit Evidence		
Para 7	When designing and performing audit procedure, has the auditor considered relevance and reliability of information which is to be used as audit evidence?		
Para A31	Has the auditor assessed reliability of an audit evidence by generalising following: • Whether the audit evidence obtained from independent sources outside the entity? • Whether the controls, including preparation and maintenance, imposed by the entity are effective for audit evidences generated internally? • Whether the audit evidence is obtained directly by the auditor? • Whether the audit evidence obtained in any form other than obtained orally? • Whether the audit evidence provided by original documents?		
Para 8	When information to be used as audit evidence has been prepared using the work of a management's expert, whether the auditor having regard to the significance of the work of expert for auditor's purposes: • Evaluated the competence, capabilities and objectivity of that expert • Obtained an understanding of the work of that expert • Evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion [Note: Auditor can refer para A36 of this SA for factors that may affect nature, timing and extent of audit procedures in relation to requirements in para 8.] [Note Auditor can refer para A38 of this SA for examples of sources where information regarding the competence, capabilities and objectivity of a management's expert may come.]		
Para A39, A40	While evaluating competence, capabilities and objectivity of a management's expert, has the auditor considered following matters: • Whether that expert's work is subject to technical performance		

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	standards or other professional or industry requirements? • Whether the management's expert's competence is relevant for the matter for which that expert's work will be used, including any areas of specialty within that expert's field? • Whether the management's expert is competent with respect to relevant accounting requirements? • Whether unexpected events, changes in conditions, or the audit evidence obtained from the results of audit procedures indicate that it may be necessary to reconsider the initial evaluation of the competence, capabilities and objectivity of the management's expert as the audit progresses?		
Para A43	Has the auditor discussed with management and that expert: • any interests and relationships that may create threats to the expert's objectivity, and • any applicable safeguards, including any professional requirements that apply to the expert? If yes, whether the auditor has evaluated that the safeguards are adequate?		
Para A44	Whether the auditor has the expertise to evaluate the work of the management's expert? If no, whether the auditor needs an auditor's expert for this purpose in accordance with SA 620? [Note: Aspects of the management's expert's field relevant to the auditor's understanding may include: • Whether that expert's field has areas of specialty within it that are relevant to the audit. • Whether any professional or other standards, and regulatory or legal requirements apply. • What assumptions and methods are used by the management's expert, and whether they are generally accepted within that expert's field and appropriate for financial reporting purposes. • The nature of internal and external data or information the auditor's expert uses. (Para A45)]		
Para A46, A47	Whether there existed an engagement letter or other written form of agreement between the entity and management's expert? If yes, has the auditor evaluated the appropriateness of: • The nature, scope and objectives of that expert's work; • The respective roles and responsibilities of management and that expert; and • The nature, timing and extent of communication between management and that expert, including the form of any report to		

	be provided by that expert? (in case management's expert is engaged by the entity) If no, has the auditor inquired of the expert and other members of management to obtain the necessary understanding? (in case management's expert is employed by the entity)		
Para A48	Whether the auditor has considered following while evaluating the appropriateness of the management's expert's work as audit evidence for the relevant assertion: • The relevance and reasonableness of that expert's findings or conclusions, their consistency with other audit evidence, and whether they have been appropriately reflected in the financial statements; • If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods; and • If that expert's work involves significant use of source data, the relevance, completeness, and accuracy of that source data.		
Para 9	When using information produced by the entity, whether the auditor evaluated that the information is sufficiently reliable for the auditor's purposes?		
Para 9(a)	Whether auditor has obtained audit evidence about the accuracy and completeness of information to be used as audit evidence? [Note: Obtaining audit evidence about the accuracy and completeness of such information may be performed concurrently with the actual audit procedure applied to the information when obtaining such audit evidence is an integral part of the audit procedure itself. In other situations, the auditor may have obtained audit evidence of the accuracy and completeness of such information by testing controls over the preparation and maintenance of the information. In some situations, however, the auditor may determine that additional audit procedures are needed. (Para A50)]		
Para 9(b)	Has the auditor evaluated whether the information is sufficiently precise and detailed for the auditor's purposes?		
	Selecting Items for Testing to Obtain Audit Evidence		
Para 10	When designing tests of controls and tests of details, has the auditor determined means of selecting items for testing that are effective in meeting the purpose of the audit procedure? [Note: The means available to the auditor for selecting items for testing are: (a) Selecting all items (100% examination);		

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	(b) Selecting specific items; and (c) Audit sampling. (Para A52)] [Note: Auditor can refer to Para A53 of this SA for examples where 100% examination may be appropriate.]		
Para A54	Whether the specific items selected include: • High value or key items. • All items over a certain amount • Items to obtain information. [Note: While selective examination of specific items from a class of transactions or account balance will often be an efficient means of obtaining audit evidence, it does not constitute audit sampling. The results of audit procedures applied to items selected in this way cannot be projected to the entire population; accordingly, selective examination of specific items does not provide audit evidence concerning the remainder of the population. (Para A55)]		
	Inconsistency in, or Doubts over Reliability of, Audit Evidence		
Para 11	Whether the audit evidence obtained from one source is inconsistent with that obtained from another or the auditor has doubts over the reliability of information to be used as audit evidence? If yes, has the auditor determined what modifications or additions to audit procedures are necessary to resolve the matter, and considered the effect of the matter, if any, on other aspects of the audit? [Note: Auditor can refer paragraph 11 of SA 230 for specific documentation requirement if the auditor identified information that is inconsistent with the auditor's final conclusion regarding a significant matter.]		

SA 501, Audit Evidence – Specific Considerations for Selected Items

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide to SA 501, “Audit Evidence – Specific Consideration for Selected Items”.

Scope

This Standard on Auditing (SA) deals with specific considerations by the auditor in obtaining sufficient appropriate audit evidence in accordance with SA 330, SA 500 and other relevant SAs, with respect to certain aspects of inventory, litigation and claims involving the entity, and segment information in an audit of financial statements.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objective

The objective of the auditor is to obtain sufficient appropriate audit evidence regarding the:

- a) Existence and condition of inventory;
- b) Completeness of litigation and claims involving the entity; and
- c) Presentation and disclosure of segment information in accordance with the applicable financial reporting framework.

Para No.	Particulars	Response [Yes, No, NA] <i>(give comments wherever required)</i>	WP Reference
	Inventory		
Para 4	Has the auditor obtained sufficient appropriate audit evidence regarding the existence and condition of inventory by: a) Attending physical inventory count to: • Evaluate management's instructions and procedures for recording and controlling the results of the entity's physical inventory counting; • Observe the performance of management's count procedures; • Inspect the inventory; and • Perform test counts; and b) Performing audit procedures over the entity's final inventory records to determine whether they accurately reflect actual inventory count results? [Note: Attendance at physical inventory counting involves: • Inspecting the inventory to ascertain its existence and evaluate its condition, and performing test counts; • Observing compliance with management's instructions and the performance of procedures for recording and controlling the results of the physical inventory count; and • Obtaining audit evidence as to the reliability of management's count procedures. These procedures may serve as test of controls or substantive procedures depending on the auditor's risk assessment, planned approach and the specific procedures carried out. (Para A2)] [Note: Matters relevant in planning attendance at physical inventory counting include, for example: • Nature of inventory. • Stages of completion of work in progress. • The risks of material misstatement related to inventory. • The nature of the internal control related to inventory. • Whether adequate procedures are expected to be established and proper instructions issued for physical inventory counting. • The timing of physical inventory counting.		

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	- Whether the entity maintains a perpetual inventory system. - The locations at which inventory is held, including the materiality of the inventory and the risks of material misstatement at different locations, in deciding at which locations attendance is appropriate. Whether the assistance of an auditor's expert is needed appropriate audit evidence. (Para A3)] [Note: Observing the performance of management's count procedures, for example those relating to control over the movement of inventory before, during and after the count, assists the auditor in obtaining audit evidence that management's instructions and count procedures are adequately designed and implemented. In addition, the auditor may obtain copies of cut off information, such as details of the movement of inventory, to assist the auditor in performing audit procedures over the accounting for such movements at a later date. (Para A5)] [Note: Inspecting inventory when attending physical inventory counting assists the auditor in ascertaining the existence of the inventory (though not necessarily its ownership), and in identifying, for example, obsolete, damaged or ageing inventory.(Para A6)] [Note: Performing test counts, for example by tracing items selected from management's count records to the physical inventory and tracing items selected from the physical inventory to management's count records, provides audit evidence about the completeness and the accuracy of those records.(Para A7)] [Note: In addition to recording the auditor's test counts, obtaining copies of management's completed physical inventory count records assists the auditor in performing subsequent audit procedures to determine whether the entity's final inventory records accurately reflect actual inventory count results.(Para A8)]		
Para 5	Has the physical inventory counting been conducted at a date other than the date of the financial statements? If yes, has the auditor performed audit procedures to obtain audit evidence about whether changes in inventory between the count date and the date of the financial statements are properly recorded?		
Para 6, 7	Has the auditor attended the physical inventory counting? If No, whether some physical counts are made or observed on an alternative date and performed audit procedures on intervening transactions? If attendance at physical inventory counting is impracticable, has the auditor performed alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory? If No, has the auditor modified the opinion in the auditor's report in accordance with SA 705 (Revised)?		

	[Note: In some cases, attendance at physical inventory counting may be impracticable. This may be due to factors such as the nature and location of the inventory, for example, where inventory is held in a location that may pose threats to the safety of the auditor. The matter of general inconvenience to the auditor, however, is not sufficient to support a decision by the auditor that attendance is impracticable. The matter of difficulty, time, or cost involved is not in itself a valid basis for the auditor to omit an audit procedure for which there is no alternative or to be satisfied with audit evidence that is less than persuasive. (Para A12)] [Note: In some cases where attendance is impracticable, alternative audit procedures, for example inspection of documentation of the subsequent sale of specific inventory items acquired or purchased prior to the physical inventory counting, may provide sufficient appropriate audit evidence about the existence and condition of inventory. (Para A13)]		
Para 8	Is the inventory under the custody and control of a third party, material to the financial statements? If yes, has the auditor obtained sufficient appropriate audit evidence regarding the existence and condition of that inventory by performing one or both of the following: - Request confirmation from the third party as to the quantities and condition of inventory held on behalf of the entity. - Perform inspection or other audit procedures appropriate in the circumstances? [Note: Where information is obtained that raises doubt about the integrity and objectivity of the third party, the auditor may consider it appropriate to perform the following other audit procedures instead of, or in addition to, confirmation with the third party: - Attending, or arranging for another auditor to attend, the third party's physical counting of inventory, if practicable. - Obtaining another auditor's report, or a service auditor's report, on the adequacy of the third party's internal control for ensuring that inventory is properly counted and adequately safeguarded. - Inspecting documentation regarding inventory held by third parties, for example, warehouse receipts. - Requesting confirmation from other parties when inventory has been pledged as collateral. (Para A16)]		
	Litigation and Claims		
Para 9	Whether the auditor has designed and performed following audit procedures in order to identify litigation and claims involving the entity which may give rise to a risk of material misstatement: Inquiry of management and, where applicable, others within the		

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	entity, including in-house legal counsel; b) Reviewing minutes of meetings of those charged with governance and correspondence between the entity and its external legal counsel; and c) Reviewing legal expense accounts? [Note: In addition to the procedures identified above, other relevant procedures include, for example, using information obtained through risk assessment procedures carried out as part of obtaining an understanding of the entity and its environment to assist the auditor to become aware of litigation and claims involving the entity. (Para A18)] [Note: Depending on the circumstances, the auditor may judge it appropriate to examine related source documents, such as invoices for legal expenses, as part of the auditor's review of legal expense accounts. (Para A20)]		
Para 10	If auditor assessed a risk of material misstatement regarding litigation or claims that have been identified or when audit procedures performed indicate that other material litigation or claims may exist, has the auditor sought direct communication with the entity's external legal counsel through a letter of inquiry, prepared by management and sent by the auditor, requesting the entity's external legal counsel to communicate directly with the auditor? Whether there is a situation of any law, regulation or the respective legal professional body which prohibits the entity's external legal counsel from communicating directly with the auditor? If yes, has the auditor performed alternative audit procedures? [Note: If it is considered unlikely that the entity's external legal counsel will respond appropriately to a letter of general inquiry, for example if the professional body to which the external legal counsel belongs prohibits response to such a letter, the auditor may seek direct communication through a letter of specific inquiry. For this purpose, a letter of specific inquiry includes: a) A list of litigation and claims; b) Where available, management's assessment of the outcome of each of the identified litigation and claims and its estimate of the financial implications, including costs involved; and c) A request that the entity's external legal counsel confirm the reasonableness of management's assessments and provide the auditor with further information if the list is considered by the entity's external legal counsel to be incomplete or incorrect. (Para A23)] [Note: In certain circumstances, the auditor also may judge it necessary to meet with the entity's external legal counsel to discuss the likely outcome of the litigation or claims. This may be the case, for example, where: • The auditor determines that the matter is a significant risk.		

	- The matter is complex. - There is disagreement between management and the entity's external legal counsel. Ordinarily, such meetings require management's permission and are held with a representative of management in attendance. (Para A24)] [Note: In accordance with SA 700 (Revised), the auditor is required to date the auditor's report no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements. Audit evidence about the status of litigation and claims up to the date of the auditor's report may be obtained by inquiry of management, including in-house legal counsel, responsible for dealing with the relevant matters. In some instances, the auditor may need to obtain updated information from the entity's external legal counsel. (Para A25)]		
Para 11	Has the auditor considered modifying the opinion in the auditor's report in accordance with SA 705 (Revised) if both of the below situations exist: a) Management refuses to give the auditor permission to communicate or meet with the entity's external legal counsel. Or Entity's external legal counsel refuses to respond appropriately to the letter of inquiry, or is prohibited from responding. (b) Auditor is unable to obtain sufficient appropriate audit evidence by performing alternative audit procedures?		
	Written Representations		
Para 12	Whether a written representation has been received from the management and, where appropriate, those charged with governance that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and appropriately accounted for and disclosed in accordance with the applicable financial reporting framework?		
	Segment Information		
Para 13	Has the auditor obtained sufficient appropriate audit evidence regarding the presentation and disclosure of segment information in accordance with applicable financial reporting framework? For this purpose: a) Has the auditor obtained an understanding of the methods used by management in determining segment information? b) Has the auditor evaluated whether such methods are likely to result in disclosure in accordance with the applicable financial reporting framework?		

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	c) Whether testing of the application of above mentioned methods has been done? d) Whether analytical procedures or other audit procedures appropriate in the circumstances performed? [Note: Depending on the circumstances, example of matters that may be relevant when obtaining an understanding of the methods used by management in determining segment information and whether such methods are likely to result in disclosure in accordance with the applicable financial reporting framework include: • Sales, transfers and charges between segments, and elimination of inter-segment amounts. • Comparisons with budgets and other expected results, for example, operating profits as a percentage of sales. • The allocation of assets and costs among segments. • Consistency with prior periods, and the adequacy of the disclosures with respect to inconsistencies. (Para A27)]		
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Standard on Auditing (SA) 505, External Confirmations

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with the auditor's use of external confirmation procedures to obtain audit evidence in accordance with the requirements of SA 330 and SA 500. It does not address inquiries regarding litigation and claims. SA 501 deals with obtaining sufficient appropriate audit evidence from such inquiries.

Effective Date

This SA is effective for audit of financial statements for period beginning on or after April 1, 2010.

Objective

The objective of the auditor, when using external confirmation procedures, is to design and perform such procedures to obtain relevant and reliable audit evidence.

Definitions

For purpose of the SAs, the following terms have the meanings attributed below:

External confirmation – Audit evidence obtained as a direct written response to the auditor from a third party (the confirming party), in paper form, or by electronic or other medium.

Positive confirmation request – A request that the confirming party respond directly to the auditor indicating whether the confirming party agrees or disagrees with the information in the request or providing the requested information.

Negative confirmation request – A request that the confirming party respond directly to the auditor only if the confirming party disagrees with the information provided in the request.

Non-response – A failure of the confirming party to respond, or fully respond, to a positive confirmation request, or a confirmation request returned undelivered.

Exception – A response that indicates a difference between information requested to be confirmed, or contained in the entity's records, and information provided by the confirming party.

Para No.	Particulars	Response [Yes, No, NA] <i>(give comments wherever required)</i>	WP Reference
	External Confirmation Procedures		
Para 7	Has the auditor maintained control over external confirmation requests by: - Determining the information to be confirmed or requested; - Selecting the appropriate confirming party; - Designing the confirmation requests, including determining that requests are properly addressed and contain return information for responses to be sent directly to the auditor; and - Sending the requests, including follow-up requests when applicable, to the confirming party? [Note: Factors to consider when designing confirmation requests include: - The assertions being addressed. - Specific identified risks of material misstatement, including fraud risks. - The layout and presentation of the confirmation request. - Prior experience on the audit or similar engagements. - The method of communication (for example, in paper form, or by electronic or other medium). - Management's authorisation or encouragement to the confirming parties to respond to the auditor. Confirming parties may only be willing to respond to a confirmation request containing management's authorisation. - The ability of the intended confirming party to confirm or provide the requested information. (Para A4)] [Note: In case of positive confirmation requests, there is a risk that a confirming party may reply to the confirmation request without verifying that the information is correct. The auditor may reduce this risk by using positive confirmation requests that do not state the amount (or other information) on the confirmation request, and ask the confirming party to fill in the amount or furnish other information. On the other hand, use of this type of "blank" confirmation request may result in lower response rates because additional effort is required of the confirming parties. (Para A5)] [Note: The auditor may send an additional confirmation request when		

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	a reply to a previous request has not been received within a reasonable time. For example, the auditor may, having re-verified the accuracy of the original address, send an additional or follow-up request. (Para A7)]		
	Management's Refusal to Allow the Auditor to Send a Confirmation Request		
Para 8	Has the management refused to allow the auditor to send a confirmation request? If yes, has the auditor a) Inquired the management's reasons for the refusal, and seek audit evidence for their validity and reasonableness; b) Evaluated the implications of management's refusal on the auditor's assessment of the relevant risks of material misstatement, including the risk of fraud, and on the nature, timing and extent of other audit procedures; and c) Performed alternative audit procedures designed to obtain relevant and reliable audit evidence? [Note: A refusal by management to allow the auditor to send a confirmation request is a limitation on the audit evidence the auditor may wish to obtain. The auditor is therefore required to inquire as to the reasons for the limitation. A common reason advanced is the existence of a legal dispute or ongoing negotiation with the intended confirming party, the resolution of which may be affected by an untimely confirmation request. The auditor is required to seek audit evidence as to the validity and reasonableness of the reasons because of the risk that management may be attempting to deny the auditor access to audit evidence that may reveal fraud or error. (Para A8)]		
Para 9	Has the auditor concluded that the management's refusal to allow the auditor to send a confirmation request is unreasonable or the auditor is unable to obtain relevant and reliable audit evidence from alternative audit procedures? If yes, has the auditor a) communicated the same with those charged with governance in accordance with SA 260(Revised); and b) determined the implications for the audit and the auditor's opinion in accordance with SA 705 (Revised)?		
	Results of the External Confirmation Procedures		
Para 10	Reliability of Responses to Confirmation Requests Has the auditor identified any factors that give rise to doubts about the reliability of the response to a confirmation request? If yes, has the auditor obtained further audit evidence to resolve those doubts?		

	[Note: Factors that may indicate doubts about the reliability of a response include that it: • Was received by the auditor indirectly; or • Appeared not to come from the originally intended confirming party. (Para A11)] [Note: Responses received electronically, for example by facsimile or electronic mail, involve risks as to reliability because proof of origin and authority of the respondent may be difficult to establish, and alterations may be difficult to detect. An electronic confirmation process might incorporate various techniques for validating the identity of a sender of information in electronic form, for example, through the use of encryption, electronic digital signatures, and procedures to verify website authenticity. (Para A12)] [Note: If a confirming party uses a third party to coordinate and provide responses to confirmation requests, the auditor may perform procedures to address the risks that: a) The response may not be from the proper source; b) A respondent may not be authorised to respond; and c) The integrity of the transmission may have been compromised. (Para A13)] [Note: The auditor is required by SA 500 to determine whether to modify or add procedures to resolve doubts over the reliability of information to be used as audit evidence. The auditor may choose to verify the source and contents of a response to a confirmation request by contacting the confirming party. (Para A14)] [Note: On its own, an oral response to a confirmation request does not meet the definition of an external confirmation because it is not a direct written response to the auditor. However, upon obtaining an oral response to a confirmation request, the auditor may, depending on the circumstances, request the confirming party to respond in writing directly to the auditor. If no such response is received, the auditor seeks other audit evidence to support the information in the oral response. (Para A15)] [Note: A response to a confirmation request may contain restrictive language regarding its use. Such restrictions do not necessarily invalidate the reliability of the response as audit evidence.(Para A16)]		
Para 11	Has the auditor determined that a response to a confirmation request is not reliable? If yes, has the auditor evaluated the implications on the assessment of the relevant risks of material misstatement, including the risk of fraud, and on the related nature, timing and extent of other audit procedures?		
Para 12	Non-Responses Has the auditor, in case of each non–response, performed an alternative		

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	audit procedure to obtain relevant and reliable audit evidence? [Note: The nature and extent of alternative audit procedures are affected by the account and assertion in question. A non-response to a confirmation request may indicate a previously unidentified risk of material misstatement. In such situations, the auditor may need to revise the assessed risk of material misstatement at the assertion level and modify planned audit procedures. (Para A19)]		
Para 13	When a Response to a Positive Confirmation Request is Necessary to Obtain Sufficient Appropriate Audit Evidence Has the auditor determined that a response to a Positive Confirmation Request is necessary to obtain sufficient appropriate audit evidence and alternative audit procedures will not provide the audit evidence that auditor requires? If yes, has the auditor obtained such confirmation? If no, has the auditor determined the implications for the audit and the auditor's opinion in accordance with SA 705 (Revised)? [Note: In certain circumstances as below, the auditor may identify an assessed risk of material misstatement at the assertion level for which a response to a positive confirmation request is necessary to obtain sufficient appropriate audit evidence: • The information available to corroborate management's assertion(s) is only available outside the entity. • Specific fraud risk factors, such as the risk of management override of controls, or the risk of collusion which can involve employee(s) and/or management, prevent the auditor from relying on evidence from the entity. (Para A20)]		
Para 14	Exceptions Has the auditor investigated exceptions to confirmation to determine if they are indicative of misstatements? [Note: When an exception is identified, the auditor should evaluate whether such misstatement is indicative of fraud. Exceptions may provide a guide to the quality of responses from similar confirming parties or for similar accounts. Exceptions also may indicate a deficiency, or deficiencies, in the entity's internal control over financial reporting. (Para A21)]		
	Negative Confirmations		
Para 15	Has the auditor used negative confirmation requests as the sole substantive audit procedure to address an assessed risk of material misstatement at the assertion level? If yes, has the auditor ensured that the following conditions are met: a) The auditor has assessed the risk of material misstatement as low and has obtained sufficient appropriate audit evidence regarding the		

	operating effectiveness of controls relevant to the assertion; b) The population of items subject to negative confirmation procedures comprises a large number of small, homogeneous, account balances, transactions or conditions; c) A very low exception rate is expected; and d) The auditor is not aware of circumstances or conditions that would cause recipients of negative confirmation requests to disregard such requests?		
	Evaluating the Evidence Obtained		
Para 16	Has the auditor evaluated whether the results of external confirmation procedures provide relevant and reliable audit evidence? If no, has the auditor performed further audit procedures? [Note: When evaluating the results of individual external confirmation requests, the auditor may categorise such results as follows: a) A response by the appropriate confirming party indicating agreement with the information provided in the confirmation request, or providing requested information without exception; b) A response deemed unreliable; c) A non-response; or d) A response indicating an exception. (Para A24)]		

SA 510, Initial Audit Engagements – Opening Balances

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with the auditor's responsibilities relating to opening balances when conducting an initial audit engagement. In addition to financial statement amounts, opening balances include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments. When the financial statements include comparative financial information, the requirements and guidance in SA 710 also apply. SA 300 includes additional requirements and guidance regarding activities prior to starting an initial audit.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objective

In conducting an initial audit engagement, the objective of the auditor with respect to opening balances is to obtain sufficient appropriate audit evidence about whether:

- (a) Opening balances contain misstatements that materially affect the current period's financial statements; and
- (b) Appropriate accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, or changes thereto are properly accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.

Definitions

Initial audit engagement – An engagement in which either:

- (i) The financial statements for the prior period were not audited; or
- (ii) The financial statements for the prior period were audited by a predecessor auditor.

Opening balances – Those account balances that exist at the beginning of the period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and events of prior periods and accounting policies applied in the prior period. Opening balances also include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments.

Predecessor auditor – The auditor from a different audit firm, who audited the financial statements of an entity in the prior period and who has been replaced by the current auditor.

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Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
	Audit Procedures		
Para 5	Opening Balances Whether the auditor has read the most recent financial statements, if any, and the predecessor auditor's report thereon, if any, for information relevant to opening balances, including disclosures?		
Para 6	Has the auditor obtained sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period's financial statements by: - Determining whether the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, any adjustments have been ; - Determining whether the opening balances reflect the application of appropriate accounting policies; and - Performing one or more of the following: - Where the prior year financial statements were audited, perusing the copies of the audited financial statements including the other relevant documents relating to the prior period financial statements; - Evaluating whether audit procedures performed in the current period provide evidence relevant to the opening balances; or - Performing specific audit procedures to obtain evidence regarding the opening balances? [Note: The nature and extent of audit procedures necessary to obtain sufficient appropriate audit evidence regarding opening balances depend on such matters as: - The accounting policies followed by the entity. - The nature of the account balances, classes of transactions and disclosures and the risks of material misstatement in the current period's financial statements. - The significance of the opening balances relative to the current period's financial statements. - Whether the prior period's financial statements were audited and, if so, whether the predecessor auditor's opinion was modified. (Para A1)]		

	[Note: If the prior period's financial statements were audited by a predecessor auditor, the auditor may be able to obtain sufficient appropriate audit evidence regarding the opening balances by perusing the copies of the audited financial statements including the other relevant documents relating to the prior period financial statements such as supporting schedules to the audited financial statements. Ordinarily, the current auditor can place reliance on the closing balances contained in the financial statements for the preceding period, except when during the performance of audit procedures for the current period the possibility of misstatements in opening balances is indicated. (Para A2)] [Note: For current assets and liabilities, some audit evidence about opening balances may be obtained as part of the current period's audit procedures. (Para A3)] [Note: For non-current assets and liabilities, such as property plant and equipment, investments and long-term debt, some audit evidence may be obtained by examining the accounting records and other information underlying the opening balances. In certain cases, the auditor may be able to obtain some audit evidence regarding opening balances through confirmation with third parties. In other cases, the auditor may need to carry out additional audit procedures.(Para A4)]		
Para 7	Has the auditor obtained any audit evidence that the opening balances contain misstatements that could materially affect the current period's financial statements? If yes, has the auditor performed such additional audit procedures as are appropriate in the circumstances to determine the effect on the current period's financial statements? Has the auditor concludes that such misstatements exist in the current period's financial statements? If yes, has the auditor communicated the misstatements with the appropriate level of management and those charged with governance in accordance with SA 450?		
Para 8	Consistency of Accounting Policies Has the auditor obtained sufficient appropriate audit evidence about whether the accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements? If no, whether the changes in the accounting policies have been properly accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework?		
Para 9	Relevant Information in the Predecessor Auditor's Report Whether the prior period's financial statements were audited by a predecessor auditor and there was a modification to the opinion? If yes, Has the auditor evaluated the effect of the matter giving rise to the modification in assessing the risks of material misstatement in the		

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	current period's financial statements in accordance with SA 315?		
	Audit Conclusions and Reporting		
Para 10	Opening Balances Whether the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances? If yes, has the auditor expressed a qualified opinion or a disclaimer of opinion, as appropriate, in accordance with SA 705(Revised)?		
Para 11	Has the auditor concluded that the opening balances contain a misstatement that materially affects the current period's financial statements, and the effect of the misstatement is not properly accounted for or not adequately presented or disclosed? If yes, has the auditor expressed a qualified opinion or an adverse opinion, as appropriate, in accordance with SA 705(Revised)?		
Para 12	Consistency of Accounting Policies Has the auditor expressed a qualified opinion or an adverse opinion as appropriate in accordance with SA 705(Revised), in the case where the auditor has concluded the following: a) The current period's accounting policies are not consistently applied in relation to opening balances in accordance with the applicable financial reporting framework; or b) A change in accounting policies is not properly accounted for or not adequately presented or disclosed in accordance with the applicable financial reporting framework?		
Para 13	Modification to the Opinion in the Predecessor Auditor's Report Has the auditor assessed that the predecessor auditor's opinion regarding the prior period's financial statements included a modification to the auditor's opinion that remains relevant and material to the current period's financial statements? If yes, has the auditor modified the auditor's opinion on the current period's financial statements in accordance with SA 705(Revised) and SA 710? [Note: In some situations, a modification to the predecessor auditor's opinion may not be relevant and material to the opinion on the current period's financial statements. This may be the case where, for example, there was a scope limitation in the prior period, but the matter giving rise to the scope limitation has been resolved in the current period. (Para A6)]		

SA 520, Analytical Procedures

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with the auditor's use of analytical procedures as substantive procedures ("substantive analytical procedures"), and as procedures near the end of the audit that assist the auditor when forming an overall conclusion on the financial statements. The use of analytical procedures as risk assessment procedures is dealt with in SA 315. SA 330 includes requirements and guidance regarding the nature, timing and extent of audit procedures in response to assessed risks; these audit procedures may include substantive analytical procedures.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objectives

The objectives of the auditor are:

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

Definition

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

Analytical procedures include the consideration of comparisons of the entity's financial information with, for example:

- Comparable information for prior periods.
- Anticipated results of the entity, such as budgets or forecasts, or expectations of the auditor, such as an estimation of depreciation.
- Similar industry information, such as a comparison of the entity's ratio of sales to accounts receivable with industry averages or with other entities of comparable size in the same industry.

Analytical procedures also include consideration of relationships, for example:

- Among elements of financial information that would be expected to conform to a predictable pattern based on the entity's experience, such as gross margin percentages.
- Between financial information and relevant non-financial information, such as payroll costs to number of employees.

Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
	Substantive Analytical Procedures		
Para 5	When designing and performing substantive analytical procedures, either alone or in combination with tests of details, as substantive procedures in accordance with SA 330, has the auditor: a) Determined the suitability of particular substantive analytical procedures for given assertions, taking account of the assessed risks of material misstatement and tests of details, if any, for these assertions. b) Evaluated the reliability of data from which the auditor's expectation of recorded amounts or ratios is developed, taking account of source, comparability, and nature and relevance of information available, and controls over preparation. c) Developed an expectation of recorded amounts or ratios and evaluated whether the expectation is sufficiently precise to identify a misstatement that, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated. d) Determined the amount of any difference of recorded amounts from expected values that is acceptable without further investigation?		
Para A12, A13	The Reliability of the Data Has the auditor evaluated the reliability of the data obtained on the following basis: a) Source of information available. b) Comparability of information available. c) Nature and Relevance of information available. d) Controls over the preparation of the information that are designed to ensure its completeness, accuracy and validity? Has the auditor considered testing the operating effectiveness of controls, if any, over the entity's preparation of information used by the auditor in performing substantive analytical procedures in response to assessed risks? [Note: When such controls are effective, the auditor generally has greater confidence in the reliability of the information and, therefore,		

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	in the results of analytical procedures. The operating effectiveness of controls over non-financial information may often be tested in conjunction with other tests of controls. For example, in establishing controls over the processing of sales invoices, an entity may include controls over the recording of unit sales. In these circumstances, the auditor may test the operating effectiveness of controls over the recording of unit sales in conjunction with tests of the operating effectiveness of controls over the processing of sales invoices. (Para A13)] [Note: The above procedures are relevant irrespective of whether the auditor performs substantive analytical procedures on the entity's period end financial statements, or at an interim date and plans to perform substantive analytical procedures for the remaining period. SA 330 establishes requirements and provides guidance on substantive procedures performed at an interim date. (Para A14)]		
Para A15	Evaluation of Whether the Expectation is Sufficiently Precise In order to ensure whether the expectation can be developed sufficiently precisely to identify a misstatement that, when aggregated with other misstatements, may cause the financial statements to be materially misstated, has the auditor evaluated the following relevant matters: - The accuracy with which the expected results of substantive analytical procedures can be predicted. - The degree to which information can be disaggregated. - The availability of the information, both financial and non-financial?		
Para A16	Amount of Difference of Recorded Amount from Expected Values that is Acceptable Whether the acceptance of amount of difference between Recorded amount and Expected Value is evaluated on following basis: - Materiality and the consistency with the desired level of assurance - Taking account of the possibility that a misstatement, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated - Assessed Risk as per SA 330? [SA 330 requires the auditor to obtain more persuasive audit evidence the higher the auditor's assessment of risk. Accordingly, as the assessed risk increases, the amount of difference considered acceptable without investigation decreases in order to achieve the desired level of persuasive evidence]		

	Analytical Procedures that Assist When Forming an Overall Conclusion		
Para 6	Has the auditor designed and performed analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity? [Note: The results of such analytical procedures may identify a previously unrecognised risk of material misstatement. In such circumstances, SA 315 requires the auditor to revise the auditor's assessment of the risks of material misstatement and modify the further planned audit procedures accordingly. (Para A18)]		
	Investigating Results of Analytical Procedures		
Para 7	Whether analytical procedures performed have led to identification of fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount? If yes, has the auditor investigated such differences by: a) Inquiring of management and obtaining appropriate audit evidence relevant to management's responses; and b) Performing other audit procedures as necessary in the circumstances? [Note: Audit evidence relevant to management's responses may be obtained by evaluating those responses taking into account the auditor's understanding of the entity and its environment, and with other audit evidence obtained during the course of the audit. (Para A20)] The need to perform other audit procedures may arise when, for example, management is unable to provide an explanation, or the explanation, together with the audit evidence obtained relevant to management's response, is not considered adequate. (Para A21)]		

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
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Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide to SA 530, “Audit Sampling”.

Scope

This Standard on Auditing (SA) applies when the auditor has decided to use audit sampling in performing audit procedures. It deals with the auditor's use of statistical and non-statistical sampling when designing and selecting the audit sample, performing tests of controls and tests of details, and evaluating the results from the sample.

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

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2009.

Objective

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

Definitions

Audit sampling (sampling) – The application of audit procedures to less than 100% of items within a population of audit relevance such that all sampling units have a chance of selection in order to provide the auditor with a reasonable basis on which to draw conclusions about the entire population.

Population – The entire set of data from which a sample is selected and about which the auditor wishes to draw conclusions.

Sampling Risk – The risk that the auditor's conclusion based on a sample may be different from the conclusion if the entire population were subjected to the same audit procedure. Sampling risk can lead to two types of erroneous conclusions:

- 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.

Non-sampling risk – The risk that the auditor reaches an erroneous conclusion for any reason not related to sampling risk.

Anomaly – A misstatement or deviation that is demonstrably not representative of misstatements or deviations in a population.

Sampling unit – The individual items constituting a population.

Statistical sampling – An approach to sampling that has the following characteristics:

- 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) and ii) is considered non-statistical sampling.

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).

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.

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.

Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
	Sample Design, Size and Selection of Items for Testing		
Para 6	When designing an audit sample, has the auditor considered the purpose of the audit procedure and characteristics of the population from which the sample will be drawn? [Note: The decision whether to use a statistical or non-statistical sampling approach is a matter for the auditor's judgment; however, sample size is not a valid criterion to distinguish between statistical and non-statistical approaches. (Para A9)]		
Para 7	Has the auditor determined whether the sample size is sufficient to reduce sampling risk to an acceptably low level? [Note: The level of sampling risk that the auditor is willing to accept affects the sample size required. The lower the risk the auditor is willing to accept, the greater the sample size will need to be. (Para A10)]		
Para 8	Has the auditor selected items for the sample in such a way that each sampling unit in the population had a chance of Selection? [Note: With statistical sampling, sample items are selected in a way that each sampling unit has a known probability of being selected. With non-statistical sampling, judgment is used to select sample items. Because the purpose of sampling is to provide a reasonable basis for the auditor to draw conclusions about the population from which the sample is selected, it is important that the auditor selects a representative sample, so that bias is avoided, by choosing sample items which have characteristics typical of the population. (Para A12)]		
	Performing Audit Procedures		
Para 9, 10 and 11	Has the auditor performed audit procedures, appropriate to the purpose, on each item selected? If the audit procedure is not applicable to the selected item, has the auditor performed the procedure on a replacement item? If the auditor is unable to apply the designed audit procedures, or suitable alternative procedures, to a selected item, whether the auditor has treated that item as a deviation from the prescribed control, in the case of tests of controls, or a misstatement, in the case of tests of details?		
	Nature and Cause of Deviations and Misstatements		

Checklist on Standards on Auditing

Para 12, 13	Has the auditor investigated the nature and cause of any deviations or misstatements identified and evaluated their possible effect on the purpose of audit procedure and on other areas of the audit? In the extremely rare circumstances when the auditor considers a misstatement or deviation discovered in a sample to be an anomaly, has the auditor obtained a high degree of certainty by performing additional audit procedures to obtain sufficient appropriate audit evidence that such misstatement or deviation is not representative of the population? [Note: In analysing the deviations and misstatements identified, the auditor may observe and decide to identify all items in the population that possess a common feature and extend audit procedures to those items. Such deviations or misstatements may be intentional and may indicate the possibility of fraud.(Para A17)]		
	Projecting Misstatements		
Para 14	Has the auditor projected misstatements found in the sample to the population for tests of details? [Note: The auditor is required to project misstatements for the population to obtain a broad view of the scale of misstatement but this projection may not be sufficient to determine an amount to be recorded. (Para A18)] [Note: When a misstatement has been established as an anomaly, it may be excluded when projecting misstatements to the population. However, the effect of any such misstatement, if uncorrected, still needs to be considered in addition to the projection of the non-anomalous misstatements. (Para A19)] [Note: For tests of controls, no explicit projection of deviations is necessary since the sample deviation rate is also the projected deviation rate for the population as a whole.(Para A20)]		
	Evaluating Results of Audit Sampling		
Para 15	Has the auditor evaluated the following: 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? [Note: For tests of controls, an unexpectedly high sample deviation rate may lead to an increase in the assessed risk of material misstatement, unless further audit evidence substantiating the initial assessment is obtained. For tests of details, an unexpectedly high misstatement amount in a sample may cause the auditor to believe that a class of transactions or account balance is materially misstated, in the absence of further audit evidence that no material misstatement exists. (Para A21)] [Note: In the case of tests of details, the projected misstatement plus		

	anomalous misstatement, if any, is the auditor's best estimate of misstatement in the population. When the projected misstatement plus anomalous misstatement, if any, exceeds tolerable misstatement, the sample does not provide a reasonable basis for conclusions about the population that has been tested. The closer the projected misstatement plus anomalous misstatement is to tolerable misstatement, the more likely that actual misstatement in the population may exceed tolerable misstatement. Also if the projected misstatement is greater than the auditor's expectations of misstatement used to determine the sample size, the auditor may conclude that there is an unacceptable sampling risk that the actual misstatement in the population exceeds the tolerable misstatement. Considering the results of other audit procedures helps the auditor to assess the risk that actual misstatement in the population exceeds tolerable misstatement, and the risk may be reduced if additional audit evidence is obtained. (Para A22)] [Note: If the auditor concludes that audit sampling has not provided a reasonable basis for conclusions about the population that has been tested, the auditor may: • Request management to investigate misstatements that have been identified and the potential for further misstatements and to make any necessary adjustments; or • Tailor the nature, timing and extent of those further audit procedures to best achieve the required assurance. For example, in the case of tests of controls, the auditor might extend the sample size, test an alternative control or modify related substantive procedures. (Para A23)]		
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SA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Scope

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

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2009.

Objective

The objective of the auditor is to obtain sufficient appropriate audit evidence whether in the context of the applicable financial reporting framework:

- a) accounting estimates, including fair value accounting estimates, in the financial statements, whether recognised or disclosed, are reasonable; and
- b) related disclosures in the financial statements are adequate.

Definitions

Accounting Estimate – An approximation of a monetary amount in the absence of a precise means of measurement. This term is used for an amount measured at fair value where there is estimation uncertainty, as well as for other amounts that require estimation. Where this SA addresses only accounting estimates involving measurement at fair value, the term “fair value accounting estimates” is used.

Auditor's point estimate or auditor's range – The amount, or range of amounts, respectively, derived from audit evidence for use in evaluating management's point estimate.

Estimation uncertainty – The susceptibility of an accounting estimate and related disclosures to an inherent lack of precision in its measurement.

Management bias – A lack of neutrality by management in the preparation and presentation of information.

Management's point estimate – The amount selected by management for recognition or disclosure in the financial statements as an accounting estimate.

Outcome of an accounting estimate – The actual monetary amount which results from the resolution of the underlying transaction(s), event(s) or condition(s) addressed by the accounting estimate.

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] (<i>give comments wherever required</i>)	WP Refer- ence
	Risk Assessment Procedures and Related Activities		
Para 8	In order to provide a basis for the identification and assessment of the risks of material misstatement for accounting estimates, has the auditor obtained an understanding of the following: - The requirements of the applicable financial reporting framework relevant to accounting estimates, including related disclosures. - How management identifies those transactions, events and conditions that may give rise to the need for accounting estimates to be recognised or disclosed in the financial statements. In obtaining this understanding, the auditor shall make inquiries of management about changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates. - How management makes the accounting estimates, and an understanding of the data on which they are based, including: - The method, including where applicable the model, used in making the accounting estimate; - Relevant controls; - Whether management has used an expert; - The assumptions underlying the accounting estimates; - Whether there has been or ought to have been a change from the prior period in the methods for making the accounting estimates, and if so, why; and - Whether and, if so, how management has assessed the effect of estimation uncertainty? [Note: Inquiries of management about changes in circumstances may include, for example, inquiries about whether: - The entity has engaged in new types of transactions that may give rise to accounting estimates. - Terms of transactions that gave rise to accounting estimates have changed. - Accounting policies relating to accounting estimates have changed, as a result of changes to the requirements of the applicable financial reporting framework or otherwise. - Regulatory or other changes outside the control of management have occurred that may require management to revise, or make		

	new, accounting estimates. • New conditions or events have occurred that may give rise to the need for new or revised accounting estimates. (Para A19)] [Note: Matters that the auditor may consider in obtaining an understanding of relevant controls include, for example, the experience and competence of those who make the accounting estimates, and controls related to: • How management determines the completeness, relevance and accuracy of the data used to develop accounting estimates. • The review and approval of accounting estimates, including the assumptions or inputs used in their development, by appropriate levels of management and, where appropriate, those charged with governance. • The segregation of duties between those committing the entity to the underlying transactions and those responsible for making the accounting estimates, including whether the assignment of responsibilities appropriately takes account of the nature of the entity and its products or services (Para A27)] [Note: Other relevant controls in making the accounting estimates depending on the circumstances, may include those established over: • The design and development, or selection, of a particular model for a particular purpose. • The use of the model. • The maintenance and periodic validation of the integrity of the model. (Para A28)] [Note: Assumptions are integral components of accounting estimates. Matters that the auditor may consider in obtaining an understanding of the assumptions underlying the accounting estimates may include: • The nature of the assumptions, including which of the assumptions are likely to be significant assumptions. • How management assesses whether the assumptions are relevant and complete. • Where applicable, how management determines that the assumptions used are internally consistent. • Whether the assumptions relate to matters within the control of management and how they conform to the entity's business plans and the external environment, or to matters that are outside its control. • The nature and extent of documentation, if any, supporting the assumptions. (Para A31)] [Note: In evaluating how management makes the accounting estimates, the auditor is required to understand whether there has been or ought to have been a change from the prior period in the methods for making the		
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	accounting estimates. A specific estimation method may need to be changed in response to changes in the environment or circumstances affecting the entity or in the requirements of the applicable financial reporting framework. If management has changed the method for making an accounting estimate, it is important that management can demonstrate that the new method is more appropriate or is itself a response to such changes. (Para A37)] [Note: Matters that the auditor may consider in obtaining an understanding of whether and, if so, how management has assessed the effect of estimation uncertainty may include: • Whether and, if so, how management has considered alternative assumptions or outcomes by, for example, performing a sensitivity analysis to determine the effect of changes in the assumptions on an accounting estimate. • How management determines the accounting estimate when analysis indicates a number of outcome scenarios. • Whether management monitors the outcome of accounting estimates made in the prior period, and whether management has appropriately responded to the outcome of that monitoring procedure. (Para A38)]		
Para 9	Has the auditor reviewed the outcome of accounting estimates included in prior period financial statements, or, where applicable, their subsequent re-estimation for the purpose of current period? Whether the nature and extent of auditor's review takes into account the nature of accounting estimate? Whether information obtained from review would be relevant to identifying and assessing risks of material misstatement of accounting estimates made in current period financial statements. (the review is not intended to call into question the judgments made in the prior periods that were based on information available at that time.)? [Note: The outcome of an accounting estimate will often differ from the accounting estimate recognised in the prior period financial statements. By performing risk assessment procedures to identify and understand the reasons for such differences, the auditor may obtain: • Information regarding the effectiveness of management's prior period estimation process, from which the auditor can judge the likely effectiveness of management's current process. • Audit evidence that is pertinent to the re-estimation, in the current period, of prior period accounting estimates. • Audit evidence of matters, such as estimation uncertainty, that may be required to be disclosed in the financial statements. (Para A39)] [Note: The review of prior period accounting estimates may also assist the auditor, in the current period, in identifying circumstances or conditions that increase the susceptibility of accounting estimates to, or indicate the presence of, possible management bias. The auditor's		

	professional skepticism assists in identifying such circumstances or conditions and in determining the nature, timing and extent of further audit procedures. (Para A40)] [Note: A retrospective review of management judgments and assumptions related to significant accounting estimates is also required as part of the requirement for the auditor to design and perform procedures to review accounting estimates for biases that could represent a risk of material misstatement due to fraud, in response to the risks of management override of controls. (Para A41)]		
	Identifying and Assessing the Risks of Material Misstatement		
Para 10, 11	In identifying and assessing the risks of material misstatement, as required by SA 315, has the auditor evaluated the degree of estimation uncertainty associated with an accounting estimate? Has the auditor determined whether in the auditor's judgement any of those accounting estimates that have been identified as having high estimation uncertainty give rise to significant risks? [Note: The degree of estimation uncertainty associated with an accounting estimate may be influenced by factors such as: • The extent to which the accounting estimate depends on judgment. • The sensitivity of the accounting estimate to changes in assumptions. • The existence of recognised measurement techniques that may mitigate the estimation uncertainty (though the subjectivity of the assumptions used as inputs may nevertheless give rise to estimation uncertainty). • The length of the forecast period, and the relevance of data drawn from past events to forecast future events. • The availability of reliable data from external sources. • The extent to which the accounting estimate is based on observable or unobservable inputs. (Para A45)] [Note: Matters that the auditor considers in assessing the risks of material misstatement may also include: • The actual or expected magnitude of an accounting estimate. • The recorded amount of the accounting estimate (that is, management's point estimate) in relation to the amount expected by the auditor to be recorded. • Whether management has used an expert in making the accounting estimate. • The outcome of the review of prior period accounting estimates. (Para A46)] [Note: Examples of accounting estimates that may have high estimation		

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	uncertainty include the following: • Accounting estimates that are highly dependent upon judgment. • Accounting estimates that are not calculated using recognised measurement techniques. • Accounting estimates where the results of the auditor's review of similar accounting estimates made in the prior period financial statements indicate a substantial difference between the original accounting estimate and the actual outcome. • Fair value accounting estimates for which a highly specialised entity-developed model is used or for which there are no observable inputs. (Para A47)] [Note: Where the auditor determines that an accounting estimate gives rise to a significant risk, the auditor is required to obtain an understanding of the entity's controls, including control activities. (Para A50)] [Note: In some cases, the estimation uncertainty of an accounting estimate may cast significant doubt about the entity's ability to continue as a going concern. (Para A51)]		
	Responses to the Assessed Risks of Material Misstatement		
Para 12	Based on the assessed risks of material misstatement, has the auditor determined: a) Whether management has appropriately applied the requirements of the applicable financial reporting framework relevant to the accounting estimate; and b) Whether the methods for making the accounting estimates are appropriate and have been applied consistently, and whether changes, if any, in accounting estimates or in the method for making them from the prior period are appropriate in the circumstances? [Note: Determining whether management has appropriately applied the requirements of the applicable financial reporting framework is based, in part, on the auditor's understanding of the entity and its environment. (Para A54)] [Note: In some situations, additional audit procedures, such as the inspection by the auditor of the current physical condition of an asset, may be necessary to determine whether management has appropriately applied the requirements of the applicable financial reporting framework. (Para A55)] [Note: The auditor's consideration of a change in an accounting estimate, or in the method for making it from the prior period, is important because a change that is not based on a change in circumstances or new information is considered arbitrary. Arbitrary changes in an accounting estimate result in inconsistent financial		

	statements over time and may give rise to a financial statement misstatement or be an indicator of possible management bias. (Para A57)]		
Para 13	In responding to the assessed risks of material misstatement, as required by SA 330, has the auditor undertaken one or more of the following, taking account of the nature of accounting estimate: - Determine whether events occurring up to the date of the auditor's report provide audit evidence regarding the accounting estimate. - Test how management made the accounting estimate and the data on which it is based. In doing so, the auditor shall evaluate whether: - The method of measurement used is appropriate in the circumstances; and - The assumptions used by management are reasonable in light of the measurement objectives of the applicable financial reporting framework. - Test the operating effectiveness of the controls over how management made the accounting estimate, together with appropriate substantive procedures. - Develop a point estimate or a range to evaluate management's point estimate. For this purpose: - When the auditor uses assumptions or methods that differ from management's, the auditor shall obtain an understanding of management's assumptions or methods sufficient to establish that the auditor's point estimate or range takes into account relevant variables and to evaluate any significant differences from management's point estimate. - When the auditor concludes that it is appropriate to use a range, the auditor shall narrow the range, based on audit evidence available, until all outcomes within the range are considered reasonable? [Note: The auditor's decision as to which response, individually or in combination, to undertake to respond to the risks of material misstatement may be influenced by such matters as: - The nature of the accounting estimate, including whether it arises from routine or non-routine transactions. - Whether the procedure(s) is expected to effectively provide the auditor with sufficient appropriate audit evidence. - The assessed risk of material misstatement, including whether the assessed risk is a significant risk. (Para A59)] [Note: Even though the auditor may decide not to undertake this approach in respect of specific accounting estimates, the auditor is required to perform audit procedures designed to 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 and appropriately reflected in the financial statements. Because the measurement of many accounting estimates, other than fair value accounting estimates, usually depends on the outcome of future conditions, transactions or events, the auditor's work under SA 560 is particularly relevant. (Para A66)] [Note: The auditor's evaluation of the assumptions used by management is based only on information available to the auditor at the time of the audit. Audit procedures dealing with management assumptions are performed in the context of the audit of the entity's financial statements, and not for the purpose of providing an opinion on assumptions themselves. (Para A77)] [Note: In evaluating the reasonableness of the assumptions supporting an accounting estimate, the auditor may identify one or more significant assumptions. If so, it may indicate that the accounting estimate has high estimation uncertainty and may, therefore, give rise to a significant risk. (Para 83)] [Note: Testing the operating effectiveness of the controls is required when: a) The auditor's assessment of risks of material misstatement at the assertion level includes an expectation that controls over the process are operating effectively; or b) Substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. (Para A85)] [Note: Even when the entity's controls are well designed and properly implemented, developing a point estimate or a range may be an effective or efficient response to the assessed risks. In other situations, the auditor may consider this approach as part of determining whether further procedures are necessary and, if so, their nature and extent. (Para A88)] [Note: The ability of the auditor to make a point estimate, as opposed to a range, depends on several factors, including the model used, the nature and extent of data available and the estimation uncertainty involved with the accounting estimate. Further, the decision to develop a point estimate or range may be influenced by the applicable financial reporting framework, which may prescribe the point estimate that is to be used after consideration of the alternative outcomes and assumptions or prescribe a specific measurement method. (Para A90)] [Note: When the auditor makes a point estimate or a range and uses assumptions or a method different from those used by management, the auditor is required to obtain a sufficient understanding of the assumptions or method used by management in making the accounting estimate. This understanding provides the auditor with information that may be relevant to the auditor's development of an appropriate point estimate or range. Further, it assists the auditor to understand and evaluate any significant differences from management's point estimate. (Para A92)]		
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	[Note: When the auditor concludes that it is appropriate to use a range to evaluate the reasonableness of management's point estimate (the auditor's range), the auditor is required to ensure that range to encompass all "reasonable outcomes" rather than all possible outcomes. The range cannot be one that comprises all possible outcomes if it is to be useful, as such a range would be too wide to be effective for purposes of the audit. The auditor's range is useful and effective when it is sufficiently narrow to enable the auditor to conclude whether the accounting estimate is misstated. (Para A93)] [Note: Ordinarily, a range that has been narrowed to be equal to or less than performance materiality is adequate for the purposes of evaluating the reasonableness of management's point estimate. However, particularly in certain industries, it may not be possible to narrow the range to below such an amount. This does not necessarily preclude recognition of the accounting estimate. It may indicate, however, that the estimation uncertainty associated with the accounting estimate is such that it gives rise to a significant risk. (Para A94)] [Note: Narrowing the range to a position where all outcomes within the range are considered reasonable may be achieved by: - Eliminating from the range those outcomes at the extremities of the range judged by the auditor to be unlikely to occur; and - Continuing to narrow the range, based on audit evidence available, until the auditor concludes that all outcomes within the range are considered reasonable. In some rare cases, the auditor may be able to narrow the range until the audit evidence indicates a point estimate. (Para A95)]		
Para 14	In determining the matters identified in para 12 or in responding to the assessed risks of material misstatement in accordance with para 13, has the auditor considered whether specialised skills or knowledge in relation to one or more aspects of the accounting estimates are required, in order to obtain sufficient appropriate audit evidence? [Note: Matters that may affect the auditor's consideration of whether specialised skills or knowledge is required include, for example: - The nature of the underlying asset, liability or component of equity in a particular business or industry. - A high degree of estimation uncertainty. - Complex calculations or specialised models are involved. - The complexity of the requirements of the applicable financial reporting framework relevant to accounting estimates, including whether there are areas known to be subject to differing interpretation or practice is inconsistent or developing. - The procedures the auditor intends to undertake in responding to assessed risks. (Para A97)] [Note: Depending on the auditor's understanding and experience of working with the auditor's expert or those other individuals with		

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	specialised skills or knowledge, the auditor may consider it appropriate to discuss matters such as the requirements of the applicable financial reporting framework with the individuals involved to establish that their work is relevant for audit purposes. (Para A101)]		
	Further Substantive Procedures to Respond to Significant Risks		
Para 15, 16	Estimation Uncertainty For accounting estimates that give rise to significant risks, in addition to other substantive procedures performed, has the auditor evaluated the following: - How management has considered alternative assumptions or outcomes, and why it has rejected them, or how management has otherwise addressed estimation uncertainty in making the accounting estimate. - Whether the significant assumptions used by management are reasonable. - Where relevant to the reasonableness of the significant assumptions used by management or the appropriate application of the applicable financial reporting framework, management's intent to carry out specific courses of action and its ability to do so? Has the auditor, if considered necessary, developed a range with which to evaluate the reasonableness of the accounting estimate in the case where, in the auditor's judgment, management has not adequately addressed the effects of estimation uncertainty on the accounting estimates that give rise to significant risks? [Note: In auditing accounting estimates that give rise to significant risks, the auditor's further substantive procedures are focused on the evaluation of: - How management has assessed the effect of estimation uncertainty on the accounting estimate, and the effect such uncertainty may have on the appropriateness of the recognition of the accounting estimate in the financial statements; and - The adequacy of related disclosures. (Para A102)] [Note: The following may be few cases where the auditor may not be satisfied on management's addressing of effects of estimation uncertainty on accounting estimates that give rise to significant risks: - Sufficient appropriate audit evidence could not be obtained through the auditor's evaluation of how management has addressed the effects of estimation uncertainty. - It is necessary to explore further the degree of estimation uncertainty associated with an accounting estimate. - It is unlikely that other audit evidence can be obtained. - Indicators of management bias in the making of accounting		

	estimates may exist. (Para A111)]		
Para 17	Recognition and Measurement Criteria Has the auditor obtained sufficient appropriate audit evidence for accounting estimates that give rise to significant risks, to ensure whether the following are in accordance with the requirements of applicable financial reporting framework: a) management's decision to recognise, or to not recognise, the accounting estimates in the financial statements; and b) the selected measurement basis for the accounting estimates? [Note: Where management has recognised an accounting estimate in the financial statements, the focus of the auditor's evaluation is on whether the measurement of the accounting estimate is sufficiently reliable to meet the recognition criteria of the applicable financial reporting framework. (Para A113)] [Note: With respect to accounting estimates that have not been recognised, the focus of the auditor's evaluation is on whether the recognition criteria of the applicable financial reporting framework have in fact been met. Even where an accounting estimate has not been recognised, and the auditor concludes that this treatment is appropriate, there may be a need for disclosure of the circumstances in the notes to the financial statements. Where applicable, the auditor may also determine that an accounting estimate that has been identified as having a high estimation uncertainty is a key audit matter to be communicated in the auditor's report, or may consider it necessary to include an Emphasis of Matter paragraph in the auditor's report. If any matter is determined to be a key audit matter, auditor is prohibited from including an Emphasis of Matter paragraph in the auditor report. (Para A114)] [Note: With respect to fair value accounting estimates, some financial reporting frameworks presume that fair value can be measured reliably as a prerequisite to either requiring or permitting fair value measurements and disclosures. In some cases, this presumption may be overcome when, for example, there is no appropriate method or basis for measurement. In such cases, the focus of the auditor's evaluation is on whether management's basis for overcoming the presumption relating to the use of fair value set forth under the applicable financial reporting framework is appropriate. (Para A115)]		
	Evaluating the Reasonableness of the Accounting Estimates and Determining Misstatements		
Para 18	Has the auditor, based on the audit evidence, evaluated whether the accounting estimates in financial statements are either reasonable, or are misstated? [Note: Based on the audit evidence obtained, the auditor may conclude that the evidence points to an accounting estimate that differs from		

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	management's point estimate. Where the audit evidence supports a point estimate, the difference between the auditor's point estimate and management's point estimate constitutes a misstatement. Where the auditor has concluded that using the auditor's range provides sufficient appropriate audit evidence, a management point estimate that lies outside the auditor's range would not be supported by audit evidence. In such cases, the misstatement is no less than the difference between management's point estimate and the nearest point of the auditor's range. (Para A116)] [Note: Where management has changed an accounting estimate, or the method in making it, from the prior period based on a subjective assessment that there has been a change in circumstances, the auditor may conclude based on the audit evidence that the accounting estimate is misstated as a result of an arbitrary change by management or may regard it as an indicator of possible management bias. (Para A117)] [Note: Evaluating the reasonableness of accounting estimates and related disclosures included in the notes to the financial statements, whether required by the applicable financial reporting framework or disclosed voluntarily, involves essentially the same types of considerations applied when auditing an accounting estimate recognised in the financial statements. (Para A119)]		
	Disclosures Related to Accounting Estimates		
Para 19, 20	Has the auditor obtained sufficient appropriate audit evidence about whether the disclosures in financial statements related to accounting estimates are in accordance with the requirements of applicable financial reporting framework? For accounting estimates that give rise to significant risks, has the auditor evaluated the adequacy of disclosure of their estimation uncertainty in the financial statements in the context of the applicable financial reporting framework? [Note: The presentation of financial statements in accordance with the applicable financial reporting framework includes adequate disclosure of material matters. The applicable financial reporting framework may permit, or prescribe, disclosures related to accounting estimates, and some entities may disclose voluntarily additional information in the notes to the financial statements. These disclosures may include, for example: • The assumptions used. • The method of estimation used, including any applicable model. • The basis for the selection of the method of estimation. • The effect of any changes to the method of estimation from the prior period. • The sources and implications of estimation uncertainty. Such disclosures are relevant to users in understanding the accounting		

	estimates recognised or disclosed in the financial statements. (Para A120)] [Note: In some cases, the applicable financial reporting framework may require specific disclosures regarding uncertainties. For example, some financial reporting frameworks prescribe: • The disclosure of key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. Such requirements may be described using terms such as “Key Sources of Estimation Uncertainty” or “Critical Accounting Estimates”. • The disclosure of the range of possible outcomes, and the assumptions used in determining the range. • The disclosure of information regarding the significance of fair value accounting estimates to the entity’s financial position and performance. • Qualitative disclosures such as the exposures to risk and how they arise, the entity’s objectives, policies and procedures for managing the risk and the methods used to measure the risk and any changes from the previous period of these qualitative concepts. • Quantitative disclosures such as the extent to which the entity is exposed to risk, based on information provided internally to the entity’s key management personnel, including credit risk, liquidity risk and market risk. (Para A121)] [Note: In relation to accounting estimates having significant risk, even where the disclosures are in accordance with the applicable financial reporting framework, the auditor may conclude that the disclosure of estimation uncertainty is inadequate in light of the circumstances and facts involved. The auditor’s evaluation of the adequacy of disclosure of estimation uncertainty increases in importance the greater the range of possible outcomes of the accounting estimate is in relation to materiality. (Para A122)] [Note: In some cases, the auditor may consider it appropriate to encourage management to describe, in the notes to the financial statements, the circumstances relating to the estimation uncertainty. (Para A123)]		
	Indicators of Possible Management Bias		
Para 21	Has the auditor reviewed the judgments and decisions made by management in the making of accounting estimates to identify whether there are indicators of possible management bias? (Indicators of possible management bias do not themselves constitute misstatements for the purposes of drawing conclusions on the reasonableness of individual accounting estimates.) [Note: During the audit, the auditor may become aware of judgments and decisions made by management which give rise to indicators of		

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	possible management bias. Such indicators may affect the auditor's conclusion as to whether the auditor's risk assessment and related responses remain appropriate, and the auditor may need to consider the implications for the rest of the audit. Further, they may affect the auditor's evaluation of whether the financial statements as a whole are free from material misstatement. (Para A124)] [Note: Examples of indicators of possible management bias with respect to accounting estimates include: • Changes in an accounting estimate, or the method for making it, where management has made a subjective assessment that there has been a change in circumstances. • Use of an entity's own assumptions for fair value accounting estimates when they are inconsistent with observable marketplace assumptions. • Selection or construction of significant assumptions that yield a point estimate favourable for management objectives. • Selection of a point estimate that may indicate a pattern of optimism or pessimism. (Para A125)]		
	Written Representations		
Para 22	Has the auditor obtained written representations from management and, where appropriate, those charged with governance about whether they believe that the significant assumptions used in making accounting estimates are reasonable? [Note: For those accounting estimates not recognised or disclosed in the financial statements, written representations may also include representations about: • The appropriateness of the basis used by management for determining that the recognition or disclosure criteria of the applicable financial reporting framework have not been met. • The appropriateness of the basis used by management to overcome the presumption relating to the use of fair value set forth under the entity's applicable financial reporting framework, for those accounting estimates not measured or disclosed at fair value. (Para A127)]		
	Documentation		
Para 23	Has the auditor ensured that the audit documentation includes the following: 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? [Note: Documentation of indicators of possible management bias		

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	identified during the audit assists the auditor in concluding whether the auditor's risk assessment and related responses remain appropriate, and in evaluating whether the financial statements as a whole are free from material misstatement. (Para A128)]		
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Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with the auditor's responsibilities regarding related party relationships and transactions when performing an audit of financial statements. Specifically, it expands on how SA 315, SA 330 and SA 240 are to be applied in relation to risks of material misstatement associated with related party relationships and transactions.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objectives

The objectives of the auditors are:

Irrespective of whether the applicable financial reporting framework establishes related party requirements, to obtain an understanding of related party relationships and transactions sufficient to be able:

- (i) To recognise fraud risk factors, if any, arising from related party relationships and transactions that are relevant to the identification and assessment of the risks of material misstatement due to fraud; and
- (ii) To conclude whether the financial statements, insofar as they are affected by those relationships and transactions:
 - a. Achieve a true and fair presentation (for fair presentation frameworks); or
 - b. Are not misleading (for compliance frameworks); and

In addition, where the applicable financial reporting framework establishes related party requirements, to obtain sufficient appropriate audit evidence about whether related party relationships and transactions have been appropriately identified, accounted for and disclosed in the financial statements in accordance with the framework.

Definitions

Arm's length transaction—A transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interests.

Related party – A party that is either:

- (i) A related party as defined in the applicable financial reporting framework; or
- (ii) Where the applicable financial reporting framework establishes minimal or no related party requirements:
 - a. 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 over which the reporting entity has control or significant influence, directly or indirectly through one or more intermediaries; or
 - c. Another entity that is under common control with the reporting entity through having:

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- i. Common controlling ownership;
- ii. Owners who are close family members; or
- iii. Common key management.

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

Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
Para 11	Risk Assessment Procedures and Related Activities Whether the auditor has performed the audit procedures and related activities to obtain information relevant to identifying the risks of material misstatement associated with related party relationships and transactions?		
Para A8	Whether auditor's responsibilities regarding related party relationships and transactions affected by the audit mandate, or by obligations on those entities arising from legislation, regulation, ministerial directives, government policy requirements, or resolutions of the legislature? If yes, has the auditor addressed the risks of non-compliance with laws and regulations governing such entities that lay down specific requirements in the conduct of business with related parties and considered specific Financial reporting requirements for related party relationships and transactions that may differ from other entities?		
	Understanding the Entity's Related Party Relationships and Transactions		
Para 12	Whether the engagement team discussion includes specific consideration of the susceptibility of financial statements to material misstatement due to fraud or error that could result from the entity's related party relationships and transactions? [Note: Matters that may be addressed in the discussion among the engagement team include: • The nature and extent of the entity's relationships and transactions with related parties (using, for example, the auditor's record of identified related parties updated after each audit). • An emphasis on the importance of maintaining professional skepticism throughout the audit regarding the potential for material misstatement associated with related party relationships and transactions. • The circumstances or conditions of the entity that may indicate the existence of related party relationships or transactions that management has not identified or disclosed to the auditor (e.g., a complex organisational structure, use of special-purpose entities for off-balance sheet transactions, or an inadequate information system). • The records or documents that may indicate the existence of related party relationships or transactions. (Para A9)]		

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	[Note: In addition, the discussion in the context of fraud may include specific consideration of how related parties may be involved in fraud. For example: • How special-purpose entities controlled by management might be used to facilitate earnings management. • How transactions between the entity and a known business partner of a key member of management could be arranged to facilitate misappropriation of the entity's assets. (Para A10)]		
Para 13	Has the auditor inquired of management regarding: a) The identity of the entity's related parties, including changes from the prior period; b) The nature of the relationships between the entity and these related parties; and c) Whether the entity entered into any transactions with these related parties during the period and, if so, the type and purpose of the transactions?		
Para A11, A12	Whether the applicable financial reporting framework established related party requirements? If yes, whether the management has maintained information systems to record, process and summarise related party relationships and transactions to enable the entity to meet the accounting and disclosure requirements of the framework? If no, whether auditor's risk assessment procedures and related activities include inquiries to obtain information regarding, • the entity's ownership and governance structures, • the types of investments that the entity is making and plans to make and • the way the entity is structured and how it is financed? • Whether the auditor identified parties with which the entity engages in significant transactions, or shares resources to a significant degree?		
Para 14	Has the auditor inquired of management and others within the entity, and performed other risk assessment procedures considered appropriate, to obtain an understanding of the controls, if any, that management has established to: a) Identify, account for, and disclose related party relationships and transactions in accordance with the applicable financial reporting framework b) Authorize and approve significant transactions and arrangements with related parties; and c) Authorize and approve significant transactions and arrangements		

	outside the normal course of business? [Note: Others within the entity are those considered likely to have knowledge of the entity's related party relationships and transactions, and the entity's controls over such relationships and transactions. These may include, to the extent that they do not form part of management: • Those charged with governance; • Personnel in a position to initiate, process, or record transactions that are both significant and outside the entity's normal course of business, and those who supervise or monitor such personnel; • Internal auditors; • In-house legal counsel; and • The chief ethics officer or equivalent person. (Para A15)] [Note: Auditor can refer para A17 of this SA containing features of the control environment relevant to mitigating the risks of material misstatement associated with related party relationships and transactions.] [Note: Auditor can refer para A19 of this SA for examples of possible fraud in relation to management override of controls.]		
Para A18	Has the auditor concluded that controls over related party relationships and transactions are ineffective or does not exist and auditor is unable to obtain sufficient appropriate audit evidence about related party relationships and transactions? If yes, has the auditor in accordance with SA 705(Revised), considered the implications for the audit, including the auditor's report? [Note: Controls over related party relationships and transactions within some entities may be deficient or non-existent for a number of reasons, such as: • The low importance attached by management to identifying and disclosing related party relationships and transactions. • The lack of appropriate oversight by those charged with governance. • An intentional disregard for such controls because related party disclosures may reveal information that management considers sensitive, for example, the existence of transactions involving family members of management. • An insufficient understanding by management of the related party requirements of the applicable financial reporting framework. • The absence of disclosure requirements under the applicable financial reporting framework. (Para A18)]		
	Maintaining Alertness for Related Party Information When Reviewing Records or Documents		

Checklist on Standards on Auditing

Para 15	Has the auditor inspected following for indications of the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor: a) Bank, legal and third party confirmations obtained as part of the auditor's procedures; b) Minutes of meetings of shareholders and of those charged with governance; and c) Such other records or documents considers necessary in the circumstances of the entity? [Note: Auditor can refer para A22 and para A23 of this SA for examples of documents or arrangements that auditor may inspect to obtain information about related party relationships and transactions.]		
Para 16	Has the auditor identified significant transactions outside the entity's normal course of business when performing the audit procedures required by Para 15 or through other audit procedures? If yes, whether the auditor has inquired of management about nature of these transactions and involvement of related parties in a significant transaction outside the entity's normal course of business? [Note: Auditor can refer para A25 of this SA for examples of transactions outside the entity's normal course of business.]		
Para A26	While inquiring into the nature of the significant transactions outside the entity's normal course of business, has the auditor obtained understanding of the business rationale of the transactions, and the terms and conditions under which these have been entered into?		
Para 17	Sharing Related Party Information with the Engagement Team Has the auditor shared the relevant information obtained about the entity's related parties with the other members of the engagement team? [Note: Auditor can refer para A28 of this SA for examples of related party information that may be shared among the engagement team members.]		
	Identification and Assessment of Risks of Material Misstatement Associated with Related Party Relationships and Transactions		
Para 18	Has the auditor identified and assessed the risks of material misstatement associated with related party relationships and transactions and determined whether those risks are significant? [Note: In making this determination, the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks.]		
Para 19	Has the auditor identified fraud risk factors (including circumstances relating to the existence of a related party with dominant influence)		

	when performing the risk assessment procedures and related activities in connection with related parties? If yes, whether such information was considered in identifying and assessing the risks of material misstatement due to fraud in accordance with SA 240? [Note: Related parties, by virtue of their ability to exert control or significant influence, may be in a position to exert dominant influence over the entity or its management. Consideration of such behavior is relevant when identifying and assessing the risks of material misstatement due to fraud. (Para A6)] [Note: Auditor can refer para A29 of this SA for indicators of dominant influence exerted by a related party and para A30 for examples of significant risks of material misstatement due to fraud that may arise if related party with dominant influence exists.]		
Para 20	Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions Has the auditor designed and performed further audit procedures to obtain sufficient appropriate audit evidence about the assessed risks of material misstatement associated with related party relationships and transactions? [Note: Examples of substantive audit procedures that the auditor may perform when the auditor has assessed a significant risk that management has not appropriately accounted for or disclosed specific related party transactions in accordance with the applicable financial reporting framework (whether due to fraud or error) include: • Confirming or discussing specific aspects of the transactions with intermediaries such as banks, law firms, guarantors, or agents, where practicable and not prohibited by law, regulation or ethical rules. • Confirming the purposes, specific terms or amounts of the transactions with the related parties (this audit procedure may be less effective where the auditor judges that the entity is likely to influence the related parties in their responses to the auditor). • Where applicable, reading the financial statements or other relevant financial information, if available, of the related parties for evidence of the accounting of the transactions in the related parties' accounting records. (Para A32)] [Note: If the auditor has assessed a significant risk of material misstatement due to fraud as a result of the presence of a related party with dominant influence, the auditor may, in addition to the general requirements of SA 240, perform audit procedures such as the following to obtain an understanding of the business relationships that such a related party may have established directly or indirectly with the entity and to determine the need for further appropriate substantive audit procedures:		

Checklist on Standards on Auditing

	• Inquiries of, and discussion with, management and those charged with governance. • Inquiries of the related party. • Inspection of significant contracts with the related party. • Appropriate background research, such as through the Internet or specific external business information databases. • Review of employee whistle-blowing reports where these are retained. (Para A33)]		
Para 21, 22	Identification of Previously Unidentified or Undisclosed Related Parties or Significant Related Party Transactions Has the auditor identified arrangements or information that suggests the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor? [Note: The auditor shall determine whether the underlying circumstances confirm the existence of those relationships or transactions.] If yes, Has the auditor: • Promptly communicated the relevant information to the other members of the engagement team; • Where the applicable financial reporting framework establishes related party requirements; ○ Requested management to identify all transactions with the newly identified related parties for auditor's further evaluation; ○ Inquired as to why the entity's controls over related party relationships and transactions failed to enable identification or disclosure of the related party relationships or transactions; • Performed appropriate substantive audit procedures relating to such newly identified related parties or significant related party transactions; • Reconsidered the risk that other related parties or significant related party transactions may exist that management has not previously identified or disclosed to the auditor, and perform additional audit procedures as necessary; and • Evaluated the implication on audit if the non-disclosure by management appears intentional (and therefore indicative of a risk of material misstatement due to fraud). [Note: Auditor can refer para A36 of this SA for examples of substantive audit procedures that the auditor may perform relating to newly identified related parties or significant related party transactions.]		
Para 23	Identified Significant Related Party Transactions outside the		

	Entity's Normal Course of Business Has the auditor identified significant related party transactions outside the entity's normal course of business? If yes, has the auditor: a) Inspected the underlying contracts or agreements, if any, and evaluated whether i) The business rationale (or lack thereof) of transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets; ii) The terms of the transactions are consistent with management's explanations; and iii) The transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework; and b) Obtained audit evidence that the transactions have been appropriately authorized and approved? [Note: Auditor can refer para A38 and A39 of this SA for factors that may be relevant while evaluating the business rationale of a significant related party transaction outside the entity's normal course of business.] [Note: Authorisation and approval alone, however, may not be sufficient in concluding whether risks of material misstatement due to fraud are absent because authorisation and approval may be ineffective if there has been collusion between the related parties or if the entity is subject to the dominant influence of a related party. (Para A40)]		
Para 24	Assertions That Related Party Transactions Were Conducted on Terms Equivalent to Those Prevailing in an Arm's Length Transaction Has the management made an assertion in the financial statements to the effect that a related party transaction was conducted on terms equivalent to those prevailing in an arm's length transaction? If yes, whether the auditor has obtained sufficient appropriate audit evidence about the assertion? [Note: Management's support for the assertion that a related party transaction was conducted on terms equivalent to those prevailing in an arm's length transaction may include: • Comparing the terms of the related party transaction to those of an identical or similar transaction with one or more unrelated parties. • Engaging an external expert to determine a market value and to confirm market terms and conditions for the transaction. • Comparing the terms of the transaction to known market terms for broadly similar transactions on an open market. (Para A43)] [Note: Evaluating management's support for this assertion may involve		

Checklist on Standards on Auditing

	one or more of the following: • Considering the appropriateness of management's process for supporting the assertion. • Verifying the source of the internal or external data supporting the assertion, and testing the data to determine their accuracy, completeness and relevance. • Evaluating the reasonableness of any significant assumptions on which the assertion is based. (Para A44)]		
	Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions		
Para 25(a)	In forming an opinion on the financial statements in accordance with SA 700 (Revised), has the auditor evaluated that the identified related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework? [Note: Evaluating the related party disclosures in the context of the disclosure requirements of the applicable financial reporting framework means considering whether the facts and circumstances of the entity's related party relationships and transactions have been appropriately summarized and presented so that the disclosures are understandable. Disclosures of related party transactions may not be understandable if: (a) The business rationale and the effects of the transactions on the financial statements are unclear or misstated; or (b) Key terms, conditions, or other important elements of the transactions necessary for understanding them are not appropriately disclosed. (Para A47)]		
Para 25(b)	Informing an opinion on the financial statements in accordance with SA 700 (Revised) has the auditor evaluated that whether the effects of the related party relationships and transactions: • Prevent the financial statements from achieving true and fair presentation (for fair presentation frameworks); or • Cause the financial statements to be misleading (for compliance frameworks)		
Para 26	Written Representations Whether the applicable financial reporting framework established related party requirements? If yes, has the auditor obtained written representation from the management and, where appropriate those charged with governance stating that: • They have disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and		

	They have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework? [Note: Auditor can refer para A48 for circumstances in which it may be appropriate to obtain written representations from those charged with governance.]		
Para 27	Communication with Those Charged with Governance If all of those charged with governance are not involved in managing the entity, has the auditor communicated with them significant matters that arise during the audit in connection with the entity's related parties? [Note: Auditor can refer para A50 for examples of significant related party matters.]		
Para 28	Documentation Has the auditor included names of the identified related parties and the nature of the related party relationships in audit documentation?		

SA 560, Subsequent Events

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide to SA 560, “Subsequent Events”.

Scope

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

Financial statements may be affected by certain events that occur after the date of the financial statements. Many financial reporting frameworks specifically refer to such events. Such financial reporting frameworks ordinarily identify two types of events:

- a) Those that provide evidence of conditions that existed at the date of the financial statements; and
- b) Those that provide evidence of conditions that arose after the date of the financial statements.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2009.

Objectives

The objectives of the auditor are to:

- a) Obtain sufficient appropriate audit evidence about whether 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 are appropriately reflected in those financial statements; and
- b) Respond appropriately to facts that become known to the auditor after the date of the auditor's report, that, had they been known to the auditor at that date, may have caused the auditor to amend the auditor's report.

Definitions

For purpose of the SAs, the following terms have the meanings attributed below:

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

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
	Events Occurring Between the Date of the Financial Statements and the Date of the Auditor's Report		
Para 6, 7	Has the auditor performed the audit procedures designed to obtain sufficient appropriate audit evidence regarding identification of 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? [Note: The auditor is not expected to perform additional audit procedures on matters to which previously applied audit procedures have provided satisfactory conclusions.] [Note: Depending on the auditor's risk assessment, the audit procedures required may include procedures (in addition to procedures that the auditor may perform for other purposes that, nevertheless, may provide evidence about subsequent events), necessary to obtain sufficient appropriate audit evidence, involving the review or testing of accounting records or transactions occurring between the date of the financial statements and the date of the auditor's report (Para A6)] Has the auditor performed the procedures required by paragraph 6 so that they cover the period from the date of the financial statements to the date of the auditor's report, or as near as practicable thereto? Has the auditor taken into account the auditor's risk assessment in determining the nature and extent of audit procedures, including the following: - Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified. - Inquiring of management and, where appropriate, those charged with governance as to whether any subsequent events have occurred which might affect the financial statements. - Reading 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 and inquiring about matters discussed at any such meetings for which minutes are not yet available. - Reading the entity's latest subsequent interim financial statements, if any? [Note: The subsequent events procedures that the auditor performs may depend on the information that is available and, in particular, the		

	extent to which the accounting records have been prepared since the date of the financial statements. When the accounting records are not up-to-date, and accordingly no interim financial statements (whether for internal or external purposes) have been prepared, or minutes of meetings of management or those charged with governance have not been prepared, relevant audit procedures may take the form of inspection of available books and records, including bank statements. (Para A7)] [Note: In addition to procedures mentioned in Para 7, the auditor may consider it necessary and appropriate to: • Read the entity's latest available budgets, cash flow forecasts and other related management reports for periods after the date of the financial statements; • Inquire, or extend previous oral or written inquiries, of the entity's legal counsel concerning litigation and claims; or • Consider whether written representations covering particular subsequent events may be necessary to support other audit evidence and thereby obtain sufficient appropriate audit evidence. (Para A8)] [Note: In inquiring of management /those charged with governance, about any subsequent events occurred that might affect the financial statements, the auditor may inquire the current status of items that were accounted for on the basis of preliminary or inconclusive data and may make specific inquiries about the following matters: • Whether new commitments, borrowings or guarantees have been entered into. • Whether sales or acquisitions of assets have occurred or are planned. • Whether there have been increases in capital or issuance of debt instruments, such as the issue of new shares or debentures, or an agreement to merge or liquidate has been made or is planned. • Whether any assets have been appropriated by government or destroyed, for example, by fire or flood. • Whether there have been any developments regarding contingencies. • Whether any unusual accounting adjustments have been made or are contemplated. • Whether any events have occurred or are likely to occur that will bring into question the appropriateness of accounting policies used in the financial statements. • Whether any events have occurred that are relevant to the measurement of estimates or provisions made in the financial statements. • Whether any events have occurred that are relevant to the recoverability of assets. (Para A9)]		
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Checklist on Standards on Auditing

Para 8	Whether the auditor, as result of procedures performed as required by Para 6 and 7, identified events that require adjustment of, or disclosure in, the financial statements? If yes, has the auditor determined whether each such event is appropriately reflected in those financial statements?		
	Written Representations		
Para 9	Has the auditor requested management and, where appropriate, those charged with governance to provide a written representation in accordance with SA 580 that all events occurring subsequent to the date of the financial statements and for which 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 Financial Statements are Issued		
Para 10	Whether any fact become known to the auditor after the date of the auditor's report but before the date the financial statements are issued, which may have caused the auditor to amend the auditor's report had the fact become known to auditor at the date of auditor's report? [Note: The auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor's report.] If yes, has the auditor: - Discussed the matter with management and, where appropriate, those charged with governance. - Determined whether the financial statements need amendment and, if so, - Inquired how management intends to address the matter in the financial statements?		
Para 11	Has the management amended the financial statements? If yes, has the auditor: - Carried out the audit procedures necessary in the circumstances on the amendment. - Unless the circumstances in para 12 apply: - Extended the audit procedures referred to in para 6 and 7 to the date of the new auditor's report; and - Provided a new auditor's report on the amended financial statements. The new auditor's report shall not be dated earlier than the date of approval of the amended financial statements?		

Para 12	Whether the law, regulation or the financial reporting framework prohibited management from restricting the amendment of the financial statements to the effects of the subsequent events or events causing those amendments and those responsible for approving the financial statements are prohibited from restricting their approval to that amendment? If no, the auditor is permitted to restrict the audit procedures on subsequent events required in paragraph 11 to that amendment. In such cases, has the auditor either: a) Amended the auditor's report to include an additional date restricted to that amendment that thereby indicates that the auditor's procedures on subsequent events are restricted solely to the amendment of the financial statements described in the relevant note to the financial statements; or b) Provided 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? [Note: When, in the circumstances described in paragraph 12(a), the auditor amends the auditor's report to include an additional date restricted to that amendment, the date of the auditor's report on the financial statements prior to their subsequent amendment by management remains unchanged because this date informs the reader as to when the audit work on those financial statements was completed. However, an additional date is included in the auditor's report to inform users that the auditor's procedures subsequent to that date were restricted to the subsequent amendment of the financial statements. The following is an illustration of such an additional date: “(Date of auditor's report), except as to Note Y, which is as of (date of completion of audit procedures restricted to amendment described in Note Y)”. (Para A13)]		
Para 13	Has the auditor come across any situation where the management does not amend the financial statements in circumstances where the auditor believes they need to be amended? If yes: a) Has the auditor modified the opinion as required by SA 705(Revised) and then provided the auditor's report, if the auditor's report has not yet provided by entity or b) Has the auditor notified the management and, unless all of those charged with governance are involved in managing the entity, those charged with governance, not to issue the financial statements to third parties before the necessary amendments have been made? c) Has the Auditor taken appropriate action to seek to prevent reliance		

Checklist on Standards on Auditing

	on the auditor's report, if the financial statements are nevertheless subsequently issued without the necessary amendments? [Note: In some entities, management may not be required by the applicable law, regulation or the financial reporting framework to issue amended financial statements. This is often the case when issuance of the financial statements for the following period is imminent, provided appropriate disclosures are made in such statements. (Para A14)] [Note: The auditor may need to fulfill additional legal obligations even when the auditor has notified management not to issue the financial statements and management has agreed to this request. (Para A16)] [Note: When management has issued the financial statements despite the auditor's notification not to issue the financial statements to third parties, the auditor's course of action to prevent reliance on the auditor's report on the financial statements depends upon the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice. (Para A17)]		
	Facts Which Become Known to the Auditor After the Financial Statements have been Issued		
Para 14	Has any fact become known to the auditor after the financial statements are issued, which may have caused the auditor to amend the auditor's report had the fact become known to auditor at the date of auditor's report? If yes, has the auditor: - Discussed the matter with management and, where appropriate, those charged with governance. - Determined whether the financial statements need amendment and, if so, - Inquired how management intends to address the matter in the financial statements? [Note: The auditor's obligations regarding other information received after the date of the auditor's report are addressed in SA 720(Revised). While the auditor has no obligation to perform any audit procedures regarding the financial statements after the financial statements have been issued, SA 720 (Revised) contains requirements and guidance with respect to other information obtained after the date of the auditor's report. (Para A18)]		
Para 15	Has the management amended the financial statements? If yes, has the auditor: - Carried out the audit procedures necessary in the circumstances on the amendment. - Reviewed 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.		

	c) Unless the circumstances in paragraph 12 apply: i) Extended the audit procedures referred in para 6 and 7 to the date of the new auditor's report; and date the new auditor's report no earlier than the date of approval of the amended financial statements; and ii) Provided a new auditor's report on the amended financial statements. d) When the circumstances in paragraph 12 apply, amended the auditor's report, or provided a new auditor's report as required by paragraph 12?		
Para 16	Has the auditor included in the new or amended auditor's report an Emphasis of Matter paragraph or Other Matter(s) paragraph referring to a note to the financial statements that more extensively discusses the reason for the amendment of the previously issued financial statements and to the earlier report provided by the auditor?		
Para 17	Has the management taken the necessary steps to ensure that anyone in receipt of the previously issued financial statements is informed of the situation and management has amended the financial statements in circumstances where the auditor believes they need to be amended? If not, has the auditor notified management and, unless all of those charged with governance are involved in managing the entity, those charged with governance, that the auditor will seek to prevent future reliance on the auditor's report? Has the management or those charged with governance, taken these necessary steps after being notified of the above by the auditor? If not, has the auditor taken appropriate action to seek to prevent reliance on the auditor's report? [Note: When the auditor believes that management, or those charged with governance, have failed to take the necessary steps to prevent reliance on the auditor's report on financial statements previously issued by the entity despite the auditor's prior notification that the auditor will take action to seek to prevent such reliance, the auditor's course of action depends upon the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice. (Para A20)]		

SA 570 (Revised), Going Concern

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide to SA 570(Revised), “Going Concern”

Scope

This Standard on Auditing (SA) deals with the auditor's responsibilities in the audit of financial statements relating to going concern and the implications for the auditor's report.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2017.

Objectives

The objectives of the auditor are:

- a) To obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements;
- b) To conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and
- c) To report in accordance with this SA.

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
	Risk Assessment Procedures and Related Activities		
Para 10	Has the management already performed a preliminary assessment of the entity's ability to continue as a going concern? If yes, has the auditor discussed the assessment with management and determined whether management has identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern? [Note: When performing risk assessment procedures as required by SA 315, the auditor shall consider whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern.] If Management has not performed a preliminary assessment, whether the auditor has discussed with management the basis for the intended use of the going concern assumption and inquire of management whether events or conditions exist that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern? [Note: While performing risk assessment procedures auditor may evaluate financial indicators, operating indicators and other indicators listed in Para A3 of this SA to identify events or conditions that may cast significant doubt on the entity's ability to continue as going concern.]		
Para 11, A7	Has the auditor identified event or condition that may cast significant doubt on the entity's ability to continue as going concern? If yes, has the auditor revised its assessment of the risk of material misstatement and added procedures in response to the assessed risk in accordance with SA 330?		
Para 12, 14	Evaluating Management's Assessment Has the auditor evaluated management's assessment of the entity's ability to continue as a going concern? In evaluating management's assessment, has the auditor considered whether management's assessment includes all relevant information of which the auditor is aware as a result of the audit? [Note: When there is a history of profitable operations and a ready access to financial resources, management may make its assessment		

	without detailed analysis. In this case, the auditor's evaluation of the appropriateness of management's assessment may be made without performing detailed evaluation procedures if the auditor's other audit procedures are sufficient to enable the auditor to conclude whether management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate in the circumstances. (Para A9)] [Note: While evaluating management assessment auditor may include evaluation of the process management followed to make its assessment, the assumptions on which the assessment is based and management's plans for future action and whether management's plans are feasible in the circumstances. (Para A10)]		
Para 13	Whether the period covered for management's assessment is less than 12 months? If yes, has the auditor requested management to extend its assessment to at least twelve months? [Note: The management of smaller entities may not have prepared a detailed assessment of the entity's ability to continue as a going concern, but instead may rely on in-depth knowledge of the business and anticipated future prospects. Nevertheless, in accordance with the requirements of this SA, the auditor needs to evaluate management's assessment of the entity's ability to continue as a going concern. For smaller entities, it may be appropriate to discuss the medium and long-term financing of the entity with management, provided that management's contentions can be corroborated by sufficient documentary evidence and are not inconsistent with the auditor's understanding of the entity. Therefore, the requirement in paragraph 13 for the auditor to request management to extend its assessment may, for example, be satisfied by discussion, inquiry and inspection of supporting documentation, for example, orders received for future supply, evaluated as to their feasibility or otherwise substantiated. (Para A12)]		
Para 15, A14	Period Beyond Management Assessment Has the auditor inquired of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern? If yes, has the auditor requested management to evaluate the potential significance of the events and conditions on its assessment of the entity's ability to continue as going concern?		
Para 16,	Additional audit procedures when event or conditions are identified:		

Checklist on Standards on Auditing

25	If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, has the auditor obtained sufficient appropriate audit evidence to determine whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern through performing additional audit procedures, including consideration of mitigating factors? a) If management has not yet performed an assessment of the entity's ability to continue as a going concern, has the auditor requested the management to make its assessment? b) Has the auditor evaluated management's plans for future action in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible in the circumstances? c) Whether the management has prepared a cash flow forecast and analysis of the forecast is a significant factor in considering the future outcome of events or conditions in the evaluation of management's plans for future action? if yes, has the auditor i) evaluated the reliability of underlying data generated to prepared forecast; and ii) determined that there is adequate support for the assumptions underlying the forecast? d) Whether any additional facts or information have become available since the date on which management made its assessment? e) Has the auditor requested written representation from management regarding their plans for future actions and feasibility of these plans? [Note: In addition to above procedures the auditor is also required to perform procedures listed in Para A16-A20 of this SA.]		
Para 17, 18	Auditor Conclusions Has the auditor obtained sufficient and appropriate audit evidence to conclude on the appropriateness of management use of going concern basis of accounting in the preparation of the financial statements? Based on the audit evidence obtained, whether, in the auditor's judgment, a material uncertainty existed related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern? [Note: The phrase "material uncertainty" means the uncertainties related to events or conditions which may cast significant doubt on the entity's ability to continue as a going concern that should be disclosed in the financial statements. In some other financial reporting frameworks the phrase "significant uncertainty" is used in similar circumstances. (Para A21)]		

	[Note: Material uncertainty exists when the magnitude of the potential impact of the events or conditions and the likelihood of occurrence is such that appropriate disclosure is necessary to achieve fair presentation (for fair presentation frameworks) or for the financial statements not to be misleading (for compliance frameworks). The auditor is required by paragraph 18 to conclude whether such a material uncertainty exists regardless of whether or how the applicable financial reporting framework defines a material uncertainty. (Para A22)]		
Para 19, 20, 22, 23	Adequacy of Disclosures When Events or Conditions Have Been Identified and a Material Uncertainty Exists / Does not Exist If auditor has concluded that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as going concern, has the auditor evaluated whether an adequate disclosure have been made in the financial statements disclosing there is material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as going concern? If the auditor has concluded that management's use of the going concern basis of accounting is appropriate in the circumstances but a material uncertainty exists, has the auditor determined whether the financial statements: (a) Adequately disclosed the principal events or ability conditions that may cast significant doubt on the entity's to continue as a going concern and management's plans to deal with these events or conditions; and (b) Disclosed clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.] Use of Going Concern Basis of Accounting is Appropriate but a Material Uncertainty Exists If adequate disclosure about the material uncertainty was made in the financial statements, has the auditor expressed unmodified opinion and included a separate section in its auditor's report under the heading Material Uncertainty Related to Going Concern? In such a case, has the auditor issued an unmodified opinion, and does the auditor's report: (a) Draw attention to the note in the financial statements that discloses the matters set out in paragraph 19; and (b) State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and that the auditor's opinion is not modified in respect of the matter.		

Checklist on Standards on Auditing

	If adequate disclosure about the material uncertainty is not made in the financial statements, has the auditor: a) expressed a qualified or adverse opinion as appropriate? b) in the Basis for Qualified (Adverse) Opinion section of the auditor's report, stated that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and that the financial statements do not adequately disclose this matter. [Note: In situations involving multiple uncertainties that are significant to the financial statements as a whole, the auditor may consider it appropriate in extremely rare cases to express a disclaimer of opinion instead of including the statements required by paragraph 22. Paragraph 10 of SA 705 (Revised) provides guidance on this issue. (Para A33)] [Note: When the auditor of a regulated entity considers that it may be necessary to include a reference to going concern matters in the auditor's report, the auditor may have a duty to communicate with the applicable regulatory, enforcement or supervisory authorities. (Para A34)]		
Para 21, A26, A27	Use of Going Concern Basis of Accounting is Inappropriate If going concern assumption is inappropriate, whether the financials have been prepared using going concern assumption? If yes, has the auditor expressed an adverse opinion? Where the financial statements are prepared on another basis, whether the auditor is able to perform an audit of those financial statements? If yes, has the auditor determined that the other basis of accounting is acceptable in the circumstances? If yes, has the auditor expressed an unmodified opinion on those financial statements provided there is adequate disclosures therein about the basis of accounting? [Note: Auditor may consider it appropriate or necessary to include an emphasis of matter paragraph in the auditor's report to draw the user's attention to that alternative basis of accounting and the reason for its use? (Para A27)]		
Para 24, A35	Management Unwilling to make or extend its Assessment If the management is not willing to make or extend its assessment when requested to do so by the auditor, has the auditor issued a qualified opinion or a disclaimer of opinion in the auditor's report?		
Para 25	Communication with Those Charged with Governance (TCWG) Has the auditor communicated to those charged with governance events or conditions identified that may cast significant doubt on the		

	entity's ability to continue as going concern? [Note: Communication with TCWG shall include: (a) Whether the events or conditions constitute a material uncertainty; (b) Whether management's use of the going concern basis of accounting is appropriate in the preparation of the financial statements; (c) The adequacy of related disclosures in the financial statements; and (d) Where applicable, the implications for the auditor's report.]		
Para 26	Significant Delay in the Approval of Financial Statements Whether there has been a significant delay in approval of financial statements? If yes, whether the auditor has inquired the reasons for delay and evaluated its impact on the auditor's report? When the auditor believes that the delay could be related to events or conditions relating to the going concern assessment, whether perform those additional audit procedures necessary, as described in para 16, as well as consider the effect on the auditor's conclusion regarding the existence of a material uncertainty, as described in para 18?		

SA 580, Written Representations

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard on Auditing ('SA') have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the audit working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide to SA 580, "Written Representations".

Scope

This Standard on Auditing (SA) deals with the auditor's responsibility to obtain written representations from management and, where appropriate, those charged with governance.

Effective date

This SA is effective for audit of financial statements for period beginning on or after April 1, 2009.

Objectives

The objectives of the auditor are:

- (a) To obtain written representations from management that it believes that it has fulfilled the fundamental responsibilities that constitute the premise on which an audit is conducted; (refer note below)
- (b) To support other audit evidence relevant to the financial statements or specific assertions in the financial statements 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 if management does not provide the written representations requested by the auditor.

Note: Premise, relating to management's responsibilities, on which an audit is conducted

An audit in accordance with the SAs is conducted on the premise that management has responsibility:

- (a) for the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (b) To provide the auditor with:
 - (i) All information, such as records and documentation, and other matters that are relevant to the preparation and presentation of the financial statements;
 - (ii) Any additional information that the auditor may request from management; and
 - (iii) Unrestricted access to those within the entity from whom the auditor determines it necessary to obtain audit evidence.

SA 210 requires the auditor to obtain the agreement of management that it acknowledges and understands those responsibilities as a precondition for accepting the audit engagement by him.

Written representations as Audit Evidence

Written representations are necessary information that the auditor requires in connection with the audit of the entity's financial statements. Accordingly, 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 about the fulfillment of management's responsibilities, or about specific assertions.

Definition

Written representations – 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.

For purpose of this SA, references to “management” should be read as “management and, where appropriate, those charged with governance.”

Furthermore, in the case of a fair presentation framework, management is responsible for the preparation and *fair* presentation of the financial statements in accordance with the applicable financial reporting framework; or the preparation of financial statements *that give a true and fair view* in accordance with the applicable financial reporting framework.

Para No	Particulars	Response [Yes/ No / NA] (give comments wherever required)	WP Reference
Management from whom written representations requested			
Para 8, A6	Has the auditor obtained written representations from management with appropriate responsibilities for the financial statements and knowledge of the matters concerned? Document here the persons from whom the written representations will be taken: _____ _____ [Note: Written representations are requested from those responsible for the preparation and presentation of the financial statements. Those individuals may vary depending on the governance structure of the entity, and relevant law or regulation; however, management (rather than those charged with governance) is often the responsible party. Written representations may therefore be requested from the entity's chief executive officer and chief financial officer, or other equivalent persons in entities that do not use such titles. In some circumstances, however, other parties, such as those charged with governance, are also responsible for the preparation and presentation of the financial statements.(Para A2)] [Note: Due to its responsibility for the preparation and presentation of the financial statements, and its responsibilities for the conduct of the entity's business, management would be expected to have sufficient knowledge of the process followed by the entity in preparing and presenting the financial statements and the assertions therein on which to base the written representations. (Para A3)] [Note: In some cases, however, management may decide to make inquiries of others who participate in preparing and presenting the financial statements and assertions therein, including individuals who have specialised knowledge relating to the matters about which written representations are requested. Such individuals may include: • An actuary responsible for actuarially determined accounting measurements. • Staff engineers who may have responsibility for and specialised knowledge about environmental liability measurements. • Internal counsel who may provide information essential to provisions for legal claims.(Para A4)] [Note: In some cases, management may include in the written representations qualifying language to the effect that representations		

Checklist on Standards on Auditing

	are made to the best of its knowledge and belief. It is reasonable for the auditor to accept such wording if the auditor is satisfied that the representations are being made by those with appropriate responsibilities and knowledge of the matters included in the representations.(Para A5)] For the representations being given by the management, has the auditor requested the management to include in the written representation a confirmation that it has made such inquiries as it considered appropriate to place it in the position to be able to make the requested written representations? [Note: It is not expected that such inquiries would usually require a formal internal process beyond those already established by the entity. (Para A6)] Also refer the illustrative representation letter as part of Appendix 2 of this Checklist.		
Written representations about management's responsibilities			
Para 9, 10, 11	Has the auditor requested management to provide written representations that: ○ It has fulfilled its responsibility in relation to the preparation and presentation of the financial statements in accordance with the terms of the audit engagement and particularly in accordance with the applicable financial reporting framework and ○ It has provided the auditor with all the relevant information and access as agreed in the terms of the audit engagement and ○ all transactions have been recorded and reflected in the financial statements? Has the auditor ensured that such management responsibilities referred to in preceding question are described in the written representation letter in the same manner as described in the engagement letter? [Note: These should not be made subject to the best of management's knowledge and belief. (Para A8)] Audit evidence obtained during the audit that management has fulfilled the responsibilities referred to in para 9 & 10 of this SA that it agreed to in the terms of the audit engagement is not sufficient without obtaining confirmation from management that it believes that it has fulfilled those responsibilities. This is because the auditor is not able to judge solely on other audit evidence whether management has prepared and presented the financial statements and provided information to the auditor on the basis of the agreed acknowledgement and understanding of its responsibilities. (Para A7)] [Note: The written representations as above draw on the agreed acknowledgement and understanding of management of its responsibilities in the terms of the audit engagement by requesting confirmation that it has fulfilled them. The auditor may also ask		

	management to reconfirm its acknowledgement and responsibilities in written representation. These are particularly appropriate when: • Those who signed the terms of the audit engagement on behalf of the entity no longer have the relevant responsibilities; • The terms of the audit engagement were prepared in a previous year; • There is any indication that management misunderstands those responsibilities; or • Changes in circumstances make it appropriate to do so. (Para A8)] [Note: The mandates for audits of the financial statements of certain entities may be broader than those of other entities. As a result, the premise, relating to management's responsibilities, on which an audit of the financial statements of such an entity is conducted may give rise to additional written representations. These may include written representations confirming that transactions and events have been carried out in accordance with legislation or proper authority. (Para A9)]		
Other written representations			
	Has the auditor requested written representations as required by the other Standards on Auditing (SAs) to support other audit evidence relevant to financial statements or one or more specific assertions in financial statements? For e.g.: • Fraud – SA 240 para 39; • Laws and regulations – SA 250 para 16; • Misstatements identified during the audit – SA 450 para 14; • Audit evidence – SA 501 para 12; • Estimates, including fair value estimates – SA 540 para 22; • Related parties – SA 550 para 26; • Subsequent events – SA 560 para 9; • Going concern – SA 570(Revised) para 16; • Preparation and presentation of financial statements – SA 710 para 9; • Preparation and presentation of financial statements – SA 720(Revised) para 13. Refer to Appendix 1 of the Checklist for detail of Written representation required in these SA.		
Para A10	Additional Written Representations about the Financial Statements Whether the written representations included the following with		

Checklist on Standards on Auditing

	respect to the financial statements: • The selection and application of accounting policies are appropriate? and • Matters such as the following, where relevant under the applicable financial reporting framework, have been recognised, measured, presented or disclosed in accordance with that framework? ○ Plans or intentions that may affect the carrying value or classification of assets and liabilities; ○ Liabilities, both actual and contingent; ○ Title to, or control over, assets, the liens or encumbrances on assets, and assets pledged as collateral; and ○ Aspects of laws, regulations and contractual agreements that may affect the financial statements, including non-compliance?		
Para A11	Additional Written Representations about Information Provided to the Auditor – Does the written representation from the management include a confirmation that it has communicated to the auditor all deficiencies in internal control of which it is aware?		
Para A12	Written Representation about Specific Assertions Does the written representations include the representation about specific assertions i.e. judgements, intentions about specific assertions? [Note: When obtaining evidence about, or evaluating, judgments and intentions, the auditor may consider one or more of the following: • The entity’s past history in carrying out its stated intentions. • The entity’s reasons for choosing a particular course of action. • The entity’s ability to pursue a specific course of action. • The existence or lack of any other information that might have been obtained during the course of the audit that may be inconsistent with management’s judgment or intent. (Para A12)] [Note: In addition, the auditor may consider it necessary to request management to provide written representations about specific assertions in the financial statements; in particular, to support an understanding that the auditor has obtained from other audit evidence of management’s judgment or intent in relation to, or the completeness of, a specific assertion. For example, if the intent of management is important to the valuation basis for investments, it may not be possible to obtain sufficient appropriate audit evidence without a written representation from management about its intentions. Although such written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own for that		

	assertion. (Para A13)]		
Date of and period (s) covered by written representations			
Para 13, A16	Have the written representations dated as near as practicable to, but not after, the date of the auditor's report on the financial statements? [Note: Because written representations are necessary audit evidence, the auditor's opinion cannot be expressed, and the auditor's report cannot be dated, before the date of the written representations. Furthermore, because the auditor is concerned with events occurring up to the date of the auditor's report that may require adjustment to or disclosure in the financial statements, the written representations are dated as near as practicable to, but not after, the date of the auditor's report on the financial statements. (Para A15)] Whether the written representations cover all financial statements and period(s) referred to in the auditor's report? [Note: The written representations are for all periods referred to in auditor's report because management needs to reaffirm that the written representations it previously made with respect to the prior periods remain appropriate. The auditor and management may agree to a form of written representation that updates written representations relating to the prior periods by addressing whether there are any changes to such written representations and, if so, what they are.(Para A13)] [Note: Compliance with the above to enable the auditor to obtain the audit evidence, as provided by the representation letter, prior to issuance of the audit report. (Para A17)] In case the auditor has obtained a written representation about a specific assertion in the financial statements during the course of the audit, has it requested an updated written representation? [Note: Situations may arise where current management were not present during all periods referred to in the auditor's report. Such persons may assert that they are not in a position to provide some or all of the written representations because they were not in place during the period. This fact, however, does not diminish such persons' responsibilities for the financial statements as a whole. Accordingly, the requirement for the auditor to request from them written representations that cover the whole of the relevant period(s) still applies. (Para A18)]		
Form of written representations			
Para14, A22	Have the written representation been obtained in the form of a representation letter addressed to the auditor? [Note: If law or regulation requires management to make written public statements about its responsibilities, the auditor may determine that such statements provide some or all of the representations		

Checklist on Standards on Auditing

	required by paragraph 9 or 10 of this SA. consequently the relevant matters covered by such statements need not be included in the representation letter. Factors that may affect the auditor's determination include: • Whether the statement includes confirmation of the fulfilment of responsibilities that are equivalent to some or all of those set out in Paragraph 9 and 10 of this SA. • Whether the statement has been given or approved by those from whom the auditor requests the relevant written representations. • Whether a copy of the statement is provided to the auditor as near as practicable to, but not after, the date of the auditor's report on the financial statements also refer Paragraph 13 of this SA. (Para A19)] [Note: A formal statement of compliance with law or regulation, or of approval of the financial statements, would not contain sufficient information for the auditor to be satisfied that all necessary representations have been consciously made. The expression of management's responsibilities in law or regulation is also not a substitute for the requested written representations. (Para A20)] Has the auditor communicated to those charged with governance the written representations which the team has requested from the management?		
Doubt as to the reliability of written representations and requested written representations not provided			
Para 15, 16, 17, A24, A25	Doubt as to the reliability of written representations Whether written representations are inconsistent with other audit evidence? If yes, has the auditor performed audit procedures to resolve the matter? If the matter remains unresolved, has the auditor reconsidered the assessment of the competence, integrity, ethical values or diligence of management, or of its commitment to or enforcement of these, and has determined the effect that this may have on the reliability of representations (oral and written) and audit evidence in general? [Note: In the case of identified inconsistencies between one or more written representations and audit evidence obtained from another source, the auditor may consider whether the risk assessment remains appropriate and, if not, revise the risk assessment and determine the nature, timing and extent of further audit procedures to respond to the assessed risks.(Para A23] Due to such identified inconsistencies or for due to any reason, does the auditor have concerns about the competence, integrity, ethical values or diligence of management, or about its commitment to or its enforcement of the same?		

	If yes, has the auditor determined the effect that such concerns may have on the reliability of representations (oral or written) and audit evidence in general? In case the auditor has identified significant issues relating to the competence, integrity, ethical values or diligence of management, or about its commitment to or enforcement of these, but concluded that the written representations are nevertheless reliable, has this significant matter been documented in accordance with SA 230? SA 230, requires the auditor to document significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions (Para A25) If the auditor concludes that the written representations are not reliable, have appropriate actions been taken, including determining the possible effect on the auditor's report in accordance with SA 705 (Revised)? If the auditor concludes that the risk of management misrepresentation in the financial statements is such that an audit cannot be conducted, has the auditor considered where possible, withdrawing from the engagement, unless those charged with governance put in place appropriate corrective measures? [Note: Such measures, however, may not be sufficient to enable the auditor to issue an unmodified audit opinion (Para A24)]		
Para 18, A27	Written Representation about Management's ResponsibilitiesHas the written representation as requested been modified by the management? If yes, has the auditor analysed the underlying reason for such modification and its impact on their opinion in the auditor's report? [Note: A written representation that has been modified from that requested by the auditor does not necessarily mean that management did not provide the written representation. However, the underlying reason for such modification may affect the opinion in the auditor's report. For example: The written representation about management's fulfilment of its responsibility for the preparation and presentation of the financial statements may state that management believes that, except for material non-compliance with a particular requirement of the applicable financial reporting framework, the financial statements are prepared and presented in accordance with that framework. This does not imply that the written representation have not been provided because the auditor concluded that management has provided reliable written representations. However, the auditor is required to consider the effect of the non-compliance on the opinion in the auditor's report in accordance with SA 705(Revised). The written representation about the responsibility of management to provide the auditor with all relevant information agreed in the terms of		

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	the audit engagement may state that management believes that, except for information destroyed in a fire, it has provided the auditor with such information. This does not imply that the written representation have not been provided because the auditor concluded that management has provided reliable written representations. However, the auditor is required to consider the effects of the pervasiveness of the information destroyed in the fire on the financial statements and the effect thereof on the opinion in the auditor's report in accordance with SA 705(Revised). (Para A27)] Requested written representations not provided Has the management not provided one or more of the requested written representations? If yes, has the auditor (a) Discussed the matter with management; (b) Re-evaluated the integrity of management and evaluated the effect that this may have on the reliability of representations (oral or written) and audit evidence in general; and (c) Taken appropriate actions, including determining the possible effect on the opinion in the auditor's report in accordance with SA 705(Revised), having regard to the requirement in paragraph 19 of this SA.		
Para 19	Whether auditor concluded that there is sufficient doubt about the integrity of management such that the written representations required by Para 9 and 10 of this SA are not reliable; or Has the management not provided the written representations as required by paragraph 9 & 10 of this SA? If yes, has the auditor given a disclaimer of opinion on the financial statements in accordance with SA 705 (Revised)? [Note: If the auditor concludes that the written representations about these matters are unreliable, or if management does not provide those written representations, the auditor is unable to obtain sufficient appropriate audit evidence. The possible effects on the financial statements of such inability are not confined to specific elements, accounts or items of the financial statements and are hence pervasive. SA 705(Revised) requires the auditor to disclaim an opinion on the financial statements in such circumstances.(Para A26)]		

Appendix 1:

Instances of Written representations required by other SA's:

SA 240 - Para 39

39. The auditor shall obtain written representations from management and where applicable those charged with governance that:

- (a) It acknowledges 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 that the financial statements may be materially misstated as a result 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 where the fraud could have a material effect on the financial statements; and
- (d) It has disclosed to the auditor its knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. (Ref: Para. A57-A58)

SA 250 - Para 16

16. The auditor shall request management and, where appropriate, those charged with governance to provide written representations that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed to the auditor. (Ref: Para. A12)

SA 450 - Para 14

14. The auditor shall request a written representation from management and, where appropriate, those charged with governance whether they believe the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A summary of such items shall be included in or attached to the written representation. (Ref: Para. A24)

SA 501 - Para 12

12. The auditor shall request management and, where appropriate, those charged with governance to provide written representations that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and appropriately accounted for and disclosed in accordance with the applicable financial reporting framework.

SA 540 - Para 22

22. The auditor shall obtain written representations from management whether management believes significant assumptions used by it in making accounting estimates are reasonable. (Ref: Para. A126-A127)

SA 550 - Para 26

26. Where the applicable financial reporting framework establishes related party requirements, the auditor shall obtain written representations from management and, where appropriate, those charged with governance that: (Ref: Para. A48-A49)

- (a) They have disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and
- (b) They have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.

SA 560 - Para 9

9. The auditor shall request management and, where appropriate, those charged with governance, to provide a written representation in accordance with SA 580 that all events occurring subsequent to the

Checklist on Standards on Auditing

date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

SA 570(Revised) - Para 16

Additional Audit Procedures When Events or Conditions Are Identified

16. 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 obtain sufficient appropriate audit evidence to determine whether or not a material uncertainty exists through performing additional audit procedures, including consideration of mitigating factors. These procedures shall include: (Ref: Para. A15)
 - (a) When management has not yet performed an assessment of the entity's ability to continue as a going concern, requesting management to make its assessment.
 - (b) Evaluating management's plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible in the circumstances. (Ref: Para. A16)
 - (c) When the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in considering the future outcome of events or conditions in the evaluation of management's plans for future action: (Ref: Para. A17-A18)
 - (i) Evaluating the reliability of the underlying data generated to prepare the forecast; and
 - (ii) Determining whether there is adequate support for the assumptions underlying the forecast.
 - (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, where appropriate, those charged with governance, regarding their plans for future action and the feasibility of these plans.

SA 710 - Para 9

9. As required by SA 580, the auditor shall request written representations for all periods referred to in the auditor's opinion. The auditor shall also obtain a specific written representation regarding any prior period item that is separately disclosed in the current year's statement of profit and loss. (Ref: Para. A1)

SA 720(Revised) - Para 13

13. The auditor shall: (Ref: Para. A11–A22)

- (a) Determine, through discussion with management, which document(s) comprises the annual report, and the entity's planned manner and timing of the issuance of such document(s);
- (b) Make appropriate arrangements with management to obtain in a timely manner and, if possible, prior to the date of the auditor's report, the final version of the document(s) comprising the annual report; and
- (c) When some or all of the document(s) determined in (a) will not be available until after the date of the auditor's report, request management to provide a written representation that the final version of the document(s) will be provided to the auditor when available, and prior to its issuance by the entity, such that the auditor can complete the procedures required by this SA. (Ref: Para. A22)

Appendix 2

Illustrative Representation Letter

The following illustrative letter includes written representations that are required by this and other SAs in effect for audits of financial statements for period beginning on or after as at [date]. It is assumed in this illustration that the applicable financial reporting framework is applicable accounting standards in India; the requirement of SA 570(Revised) to obtain a written representation is not relevant; and that there are no exceptions to the requested written representations. If there were exceptions, the representations would need to be modified to reflect the exceptions.

(Entity Letterhead)

(To Auditor)

(Date)

This representation letter is provided in connection with your audit of the financial statements of ABC Company for the year ended March 31, 20XX11 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, (or give a true and fair view) in accordance with the applicable accounting standards in India.

We confirm that (, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves):

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated [insert date], for the preparation of the financial statements in accordance with Financial reporting Standards; in particular the financial statements are fairly presented (or give a true and fair view) in accordance with the applicable accounting standards in India.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. (SA 540)
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of applicable accounting standards in India. (SA 550).
- All events subsequent to the date of the financial statements and for which applicable accounting standards in India require adjustment or disclosure have been adjusted or disclosed. (SA 560)
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter. (SA 450)
- [Any other matters that the auditor may consider appropriate (see paragraph A10 of this SA).]

Information Provided

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

Checklist on Standards on Auditing

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. (SA 240).
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements. (SA 240)
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. (SA 240)
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. (SA 250)
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. (SA 550)
- [Any other matters that the auditor may consider necessary (see paragraph A11 of this SA).]

Management

Management

SA 600, Using the Work of Another Auditor

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Introduction

The purpose of this Standard on Auditing (SA) is to establish standards to be applied in situations where an auditor (referred to herein as the 'principal auditor'), reporting on the financial information of an entity, uses the work of another auditor (referred to herein as the 'other auditor') with respect to the financial information of one or more components included in the financial information of the entity. This Standard also discusses the principal auditor's responsibility in relation to his use of the work of the other auditor. In this Standard, the term 'financial information' encompasses 'financial statements'.

This Standard does not deal with those instances where two or more auditors are appointed as joint auditors, nor does it deal with the auditor's relationship with a predecessor auditor.

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

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

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2002.

Definitions

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

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

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

Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
	Acceptance as Principal Auditor		
Para 9	Has the auditor considered whether the auditor's own participation is sufficient to be able to act as the principal auditor? If yes, has the auditor considered the following: a) the materiality of the portion of the financial information which the principal auditor audits; b) the principal auditor's degree of knowledge regarding the business of the components; c) the risk of material misstatements in the financial information of the components audited by the other auditor; and d) the performance of additional procedures as set out in this SA regarding the components audited by other auditor resulting in the principal auditor having significant participation in such audit?		
	The Principal Auditor's Procedures		
Para 10	Has the principal auditor visited the component to examine the books of account and other records of the said component in special circumstances? [Note: In certain situations, the statute governing the entity may confer a right on the principal auditor to visit a component and examine the books of account and other records of the said component, if he thinks it necessary to do so. Where another auditor has been appointed for the component, the principal auditor would normally be entitled to rely upon the work of such auditor]		
Para 11	Has the auditor planned to use the work of another auditor? If yes, whether the principal auditor considered the professional competence of the other auditor in the context of specific assignment if the other auditor is not a member of the Institute of Chartered Accountants of India?		
Para 12	Whether the principal auditor performed procedures to obtain sufficient appropriate audit evidence, that the work of the other auditor is adequate for the principal auditor's purposes, in the context of the specific assignment?		

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	When using the work of another auditor, whether the principal auditor has ordinarily performed the following procedures: a) advise the other auditor of the use that is to be made of the other auditor's work and report and make sufficient arrangements for coordination of their efforts at the planning stage of the audit. The principal auditor would inform the other auditor of matters such as areas requiring special consideration, procedures for the identification of inter component transactions that may require disclosure and the time-table for completion of audit; and b) advise the other auditor of the significant accounting, auditing and reporting requirements and obtain representation as to compliance with them?		
Para 13	Whether the principal auditor discussed with the other auditor the audit procedures applied or reviewed a written summary of the other auditor's procedures and findings which may be in the form of a completed questionnaire or check-list? [Note: The principal auditor may also wish to visit the other auditor. The nature, timing and extent of procedures will depend on the circumstances of the engagement and the principal auditor's knowledge of the professional competence of the other auditor. This knowledge may have been enhanced from the review of the previous audit work of the other auditor.] [Note: The principal auditor may conclude that it is not necessary to apply procedures such as those described in paragraph 13 because sufficient appropriate audit evidence previously obtained that acceptable quality control policies and procedures are complied with in the conduct of other auditor's practice.(Para 14)]		
Para 15	Whether the other auditor has significant findings? Is yes, has the principal auditor considered those significant findings?		
Para 16	Whether there are matters or audit findings that may affect the financial information of the components? If yes, has the principal auditor discussed such matters with the other auditor and the management of the component? Whether the principal auditor has decided that supplemental tests of the records or the financial statements of the component are necessary? [Note: Such tests may, depending upon the circumstances, be performed by the principal auditor or the other auditor.]		
Para 17	Principal auditor should note that where the other auditor is other than a professionally qualified auditor for instance, where a component is situated in a foreign country and the applicable laws permit a person other than a professionally qualified auditor to audit the financial statements of such component. Then, the procedures outlined in paragraphs 10 to 16 of this SA assume added importance.		

Para 18	Whether the principal auditor documented in his working papers: • the components whose financial information was audited by other auditors; • their significance to the financial information of the entity as a whole • the names of the other auditors; • any conclusions reached that individual components are not material; • the procedures performed and the conclusions reached? Whether the other auditor's report is other than unmodified? If yes, has principal auditor documented how he has dealt with the qualifications or adverse remarks contained in the other auditor's report in framing his own report? [Note: For example, the auditor would document the results of discussions with the other auditor and review of the written summary of the other auditor's procedures. However, the principal auditor need not document the reasons for limiting the procedures in the circumstances described at Para 14 above, provided those reasons are summarised elsewhere in the documentation maintained by the principal auditor.]		
	Co-ordination Between Auditors		
Para 19	Whether there is sufficient liaison between the principal auditor and the other auditor? [Note: For this purpose, the principal auditor may find it necessary to issue written communication(s) to the other auditor.]		
Para 20	Whether the other auditor, knowing the context in which his work is to be used by the principal auditor has co-ordinated with the principal auditor? [Note: For example, by bringing to the principal auditor's immediate attention any significant findings requiring to be dealt with at entity level, adhering to the time-table for audit of the component, etc. He should ensure compliance with the relevant statutory requirements. Similarly, the principal auditor should advise the other auditor of any matters that come to his attention that he thinks may have an important bearing on the other auditor's work.] [Note: When considered necessary by him, the principal auditor may require the other auditor to answer a detailed questionnaire regarding matters on which the principal auditor requires information for discharging his duties. The other auditor should respond to such questionnaire on a timely basis. (Para 21)]		
	Reporting Considerations		

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Para 22	Has the principal auditor concluded, based on his procedures, that the work of the other auditor cannot be used and the principal auditor has not been able to perform sufficient additional procedures regarding the financial information of the component audited by the other auditor? If yes, has principal auditor expressed a qualified opinion or disclaimer of opinion because there is a limitation on the scope of audit?		
Para 23	Has the other auditor issued or intended to issue a modified auditor's report? If yes, has the principal auditor considered whether the subject of the modification is of such nature and significance, in relation to the financial information of the entity on which the principal auditor is reporting that it requires a modification of the principal auditor's report?		
	Division of Responsibility		
Para 25	When the principal auditor has to base his opinion on the financial information of the entity as a whole relying upon the statements and reports of the other auditors, whether the principal auditor's report states clearly the division of responsibility for the financial information of the entity 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? [Note: The principal auditor would not be responsible in respect of the work entrusted to the other auditors, except in circumstances which should have aroused his suspicion about the reliability of the work performed by the other auditors. (Para 24)]		

SA 610(Revised), Using the Work of Internal Auditors

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide to SA 610(Revised), “Using the work of Internal Auditors”.

Scope

This Standard on Auditing (SA) deals with the external auditor's responsibilities if using the work of internal auditors. This includes:

- (a) using the work of the internal audit function in obtaining audit evidence and
- (b) using internal auditors to provide direct assistance under the direction, supervision and review of the external auditor.

This SA does not apply if the entity does not have an internal audit function.

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

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

Nothing in this SA requires the external auditor to use the work of the internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed directly by the external auditor; it remains a decision of the external auditor in establishing the overall audit strategy.

Furthermore, the requirements in this SA relating to direct assistance do not apply if the external auditor does not plan to use internal auditors to provide direct assistance.

In some cases, the external auditor may be prohibited, or restricted to some extent, by law or regulation from using the work of the internal audit function or using internal auditors to provide direct assistance. The SAs do not override laws or regulations that govern an audit of financial statements. Such prohibitions or restrictions will therefore not prevent the external auditor from complying with the SAs.

The external auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the external auditor's use of the work of the internal audit function or internal auditors to provide direct assistance on the engagement. Although they may perform audit procedures similar to those performed by the external auditor, neither the internal audit function nor the internal auditors are independent of the entity as is required of the external auditor in an audit of financial statements in accordance with SA 200. This SA, therefore, defines the conditions that are necessary for the external auditor to be able to use the work of internal auditors. It also defines the necessary work effort to obtain sufficient appropriate evidence that the work of the internal audit function, or internal auditors providing direct assistance, is adequate for the purposes of the audit. The requirements are designed to provide a framework for the external auditor's judgments regarding the use of the work of internal auditors to prevent over or undue use of such work.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2016.

Objectives

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

- (a) To determine whether the work of the internal audit function or direct assistance from internal auditors can be used, and if so, in which areas and to what extent;
and having made that determination:
- (b) If using the work of the internal audit function, to determine whether that work is adequate for purposes of the audit; and
- (c) If using internal auditors to provide direct assistance, to appropriately direct, supervise and review their work.

Definitions

Internal audit function – A function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity's governance, risk management and internal control processes.

Direct assistance – The use of internal auditors to perform audit procedures under the direction, supervision and review of the external auditor.

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Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
Para 2	Whether the entity has Internal Audit function? If no, this SA will not apply.		
	Determining Whether, in Which Areas, and to What Extent the Work of the Internal Audit Function Can Be Used		
Para 15	Has the external auditor determined whether the work of the internal audit function can be used for purposes of the audit by evaluating the following: (a) The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors; (b) The level of competence of the internal audit function; and (c) Whether the internal audit function applies a systematic and disciplined approach, including quality control? [Note: The external auditor shall not use the work of the internal audit function if the external auditor determines that: (a) The function's organizational status and relevant policies and procedures do not adequately support the objectivity of internal auditors; (b) The function lacks sufficient competence; or (c) The function does not apply a systematic and disciplined approach, including quality control. (Para 16)]		
Para A7	Has the external auditor evaluated objectivity of the internal auditors by evaluating following factors? - Whether the organizational status of the internal audit function, including the function's authority and accountability, supports the ability of the function to be free from bias, conflict of interest or undue influence of others to override professional judgments. For example, whether the internal audit function reports to those charged with governance or an officer with appropriate authority, or if the function reports to management, whether it has direct access to those charged with governance? - Whether the internal audit function is free of any conflicting responsibilities, for example, having managerial or operational duties or responsibilities that are outside of the internal audit		

	function? • Whether those charged with governance oversee employment decisions related to the internal audit function, for example, determining the appropriate remuneration policy? • Whether there are any constraints or restrictions placed on the internal audit function by management or those charged with governance, for example, in communicating the internal audit function's findings to the external auditor? • Whether the internal auditors are members of relevant professional bodies, and their memberships obligate their compliance with relevant professional standards relating to objectivity, or whether their internal policies achieve the same objectives?		
Para A8	Has external auditor evaluated competency of internal audit function by evaluating following factors? • Whether the internal audit function is adequately and appropriately resourced relative to the size of the entity and the nature of its operations? • Whether there are established policies for hiring, training and assigning internal auditors to internal audit engagements? • Whether the internal auditors have adequate technical training and proficiency in auditing. Relevant criteria that may be considered by the external auditor in making the assessment may include, for example, the internal auditors' possession of a relevant professional designation and experience? • Whether the internal auditors possess the required knowledge relating to the entity's financial reporting and the applicable financial reporting framework and whether the internal audit function possesses the necessary skills (for example, industry-specific knowledge) to perform work related to the entity's financial statements? • Whether the internal auditors are members of relevant professional bodies that oblige them to comply with the relevant professional standards including continuing professional development requirements?		
Para A11	Whether following factors are considered while evaluating whether the internal audit function applies a systematic and disciplined approach? • The existence, adequacy and use of documented internal audit procedures or guidance covering such areas as risk assessments, work programs, documentation and reporting, the nature and extent of which is commensurate with the size and circumstances of an entity. • Whether the internal audit function has appropriate quality control		

Checklist on Standards on Auditing

	policies and procedures?		
	Determining the Nature and Extent of Work of the Internal Audit Function that Can Be Used		
Para 17	Whether the external auditor has considered the nature and scope of the work that has been performed, or is planned to be performed, by the internal audit function and its relevance to the external auditor's overall audit strategy and audit plan? [Note: Examples of work of the internal audit function that can be used by the external auditor include the following: • Testing of the operating effectiveness of controls. • Substantive procedures involving limited judgment. • Observations of inventory counts. • Tracing transactions through the information system relevant to financial reporting. • Testing of compliance with regulatory requirements. • In some circumstances, audits or reviews of the financial information of subsidiaries that are not significant components to the group (where this does not conflict with the requirements of SA 600. (Para A16)]		
Para 18	Whether the external auditor planned to use less work of the internal audit function in following circumstances? (a) When more judgment is involved in planning and performing the relevant audit procedures and evaluating the audit evidence gathered; (b) When the assessed risk of material misstatement at the assertion level is higher, with special consideration given to risks identified as significant; (c) When the internal audit function's organizational status and relevant policies and procedures does not adequately support the objectivity of the internal auditors; and (d) The level of competence of the internal audit function is low. [Note: Significant judgments include the following: • Assessing the risks of material misstatement; • Evaluating the sufficiency of tests performed; • Evaluating the appropriateness of management's use of the going concern assumption; • Evaluating significant accounting estimates; and • Evaluating the adequacy of disclosures in the financial statements,		

	and other matters affecting the auditor's report (Para A19)]		
Para 19	Has the external auditor evaluated whether, in aggregate, using the work of the internal audit function to the extent planned would still result in the external auditor being sufficiently involved in the audit, given the external auditor's sole responsibility for the audit opinion expressed?		
Para 20	Whether the external auditor in communicating with those charged with governance an overview of the planned scope and timing of the audit in accordance with SA 260(Revised), communicated how the external auditor has planned to use the work of the internal audit function?		
	Using the Work of the Internal Audit Function		
Para 21	Whether the external auditor plans to use the work of the internal audit function? If yes, has the external auditor discussed the planned use of its work with the function as a basis for coordinating their respective activities? [Note: In discussing the planned use of their work with the internal audit function as a basis for coordinating the respective activities, it may be useful to address the following: • The timing of such work. • The nature of the work performed. • The extent of audit coverage. • Materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures), and performance materiality. • Proposed methods of item selection and sample sizes. • Documentation of the work performed. • Review and reporting procedures. (Para A24)]		
Para 22	Has the external auditor read the reports of the internal audit function relating to the work of the function that the external auditor plans to use to obtain an understanding of the nature and extent of audit procedures it performed and the related findings?		
Para 23	Has external auditor performed sufficient audit procedures on the body of work of the internal audit function as a whole that external auditor plans to use to determine its adequacy for purposes of the audit including evaluating whether: (a) The work of the function had been properly planned, performed, supervised, reviewed and documented;		

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	(b) Sufficient appropriate evidence had been obtained to enable the function to draw reasonable conclusions; and (c) Conclusions reached are appropriate in the circumstances and the reports prepared by the function are consistent with the results of the work performed?		
Para 24	Whether the nature and extent of the external auditor's audit procedures are responsive to the external auditor's evaluation of: (a) The amount of judgment involved; (b) The assessed risk of material misstatement; (c) The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors; and (d) The level of competence of the function? [Note: The external auditor's audit procedures shall include reperformance of some of the work of internal audit function]		
Para 25	Has the external auditor evaluated that the external auditor's conclusions regarding the internal audit function in paragraph 15 of this SA and the determination of the nature and extent of use of the work of the function for purposes of the audit in paragraphs 18–19 of this SA remain appropriate?		
	Determining Whether, in Which Areas, and to What Extent Internal Auditors Can Be Used to Provide Direct Assistance		
Para 26, 27, 28	Whether the external auditor prohibited by law or regulation from obtaining direct assistance from internal auditors? If yes, paragraphs 27–35 and 37 below do not apply? If no and the external auditor plans to use internal auditors to provide direct assistance on the audit, has the external auditor evaluated the existence and significance of threats to objectivity and the level of competence of the internal auditors who will be providing such assistance? [Note: The external auditor's evaluation of the existence and significance of threats to the internal auditors' objectivity shall include inquiry of the internal auditors regarding interests and relationships that may create a threat to their objectivity. (Para 27)] [Note: The external auditor shall not use an internal auditor to provide direct assistance if: (a) There are significant threats to the objectivity of the internal auditor; or (b) The internal auditor lacks sufficient competence to perform the proposed work. (Para 28)]		

	[Note: To evaluate objectivity of internal auditor, refer Para A32 of this SA]		
Para 29	In determining the nature and extent of work that may be assigned to internal auditors and the nature, timing and extent of direction, supervision and review that is appropriate in the circumstances, has the external auditor considered: a) The amount of judgment involved in: i. Planning and performing relevant audit procedures; and ii. Evaluating the audit evidence gathered; b) The assessed risk of material misstatement; and c) The external auditor's evaluation of the existence and significance of threats to the objectivity and level of competence of the internal auditors who will be providing such assistance?		
Para 30	Whether the external auditor used internal auditors to provide direct assistance to perform procedures that: (a) Involve making significant judgments in the audit; (b) Relate to higher assessed risks of material misstatement where the judgment required in performing the relevant audit procedures or evaluating the audit evidence gathered is more than limited; (c) Relate to work with which the internal auditors have been involved and which has already been, or will be, reported to management or those charged with governance by the internal audit function; or (d) Relate to decisions the external auditor makes in accordance with this SA regarding the internal audit function and the use of its work or direct assistance? [Note: The external auditor shall not use internal auditor in above mentioned circumstances]		
Para 31	Has the external auditor in communicating to those charged with governance an overview of the planned scope and timing of the audit in accordance with SA 260(Revised), communicated the nature and extent of the planned use of internal auditors to provide direct assistance so as to reach a mutual understanding that such use is not excessive in the circumstances of the engagement?		
Para 32	Has the external auditor evaluated whether, in aggregate, using internal auditors to provide direct assistance to the extent planned, together with the planned use of the work of the internal audit function, would still result in the external auditor being sufficiently involved in the audit, given the external auditor's sole responsibility for the audit opinion expressed?		

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	Using Internal Auditors to Provide Direct Assistance		
Para 33	Prior to using internal auditors to provide direct assistance for purposes of the audit, has the external auditor: (a) Obtained written agreement from an authorized representative of the entity that the internal auditors will be allowed to follow the external auditor's instructions, and that the entity will not intervene in the work the internal auditor performs for the external auditor; and (b) Obtained written agreement from the internal auditors that they will keep confidential specific matters as instructed by the external auditor and inform the external auditor of any threat to their objectivity.		
Para 34	Has the external auditor directed, supervised and reviewed the work performed by internal auditors on the engagement in accordance with SA 220? If yes, whether external auditor is satisfied that the internal auditors obtained sufficient appropriate audit evidence to support the conclusions based on that work? [Note: As per SA: (a) The nature, timing and extent of direction, supervision, and review shall recognize that the internal auditors are not independent of the entity and be responsive to the outcome of the evaluation of the factors in paragraph 29 of this SA; (Para 34) (b) The review procedures shall include the external auditor checking back to the underlying audit evidence for some of the work performed by the internal auditors; (Para 34) (c) In directing, supervising and reviewing the work performed by internal auditors, the external auditor shall remain alert for indications that the external auditor's evaluations in paragraph 27 are no longer appropriate. (Para 35)]		
	Documentation		
Para 36	Whether the external auditor used the work of the internal audit function? If yes, has the external auditor included in the audit documentation a) The evaluation of: (i) Whether the function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors; (ii) The level of competence of the function; and (iii) Whether the function applies a systematic and disciplined		

	approach, including quality control; b) The nature and extent of the work used and the basis for that decision; and c) The audit procedures performed by the external auditor to evaluate the adequacy of the work used.		
Para 37	Whether the external auditor used internal auditors to provide direct assistance on the audit? If yes, has the external auditor included in the audit documentation? (a) The evaluation of the existence and significance of threats to the objectivity of the internal auditors, and the level of competence of the internal auditors used to provide direct assistance; (b) The basis for the decision regarding the nature and extent of the work performed by the internal auditors; (c) Who reviewed the work performed and the date and extent of that review in accordance with SA 230; (d) The written agreements obtained from an authorized representative of the entity and the internal auditors under paragraph 33 of this SA; and (e) The working papers prepared by the internal auditors who provided direct assistance on the audit engagement.		

SA 620, Using the Work of an Auditor's Expert

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with the auditor's responsibilities regarding the use of an individual or organisation's work in a field of expertise other than accounting or auditing, when that work is used to assist the auditor in obtaining sufficient appropriate audit evidence.

This SA does not deal with:

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

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

It is necessary to apply judgment when considering how the requirements of this SA are affected by the fact that an auditor's expert may be either an individual or an organisation. For example, when evaluating the competence, capabilities and objectivity of an auditor's expert, it may be that the expert is an organisation the auditor has previously used, but the auditor has no prior experience of the individual expert assigned by the organisation for the particular engagement; or it may be the reverse, that is, the auditor may be familiar with the work of an individual expert but not with the organisation that expert has joined. In either case, both the personal attributes of the individual and the managerial attributes of the organisation (such as systems of quality control the organisation implements) may be relevant to the auditor's evaluation.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Objectives

The objectives of the auditor are:

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

Definitions

Auditor's expert – An individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor's expert may be either an auditor's internal expert (who is a partner or staff, including temporary staff, of the auditor's firm or a network firm), or an auditor's external expert.

Expertise in a field other than accounting or auditing may include expertise in relation to such matters as:

- The valuation of complex financial instruments, land and buildings, plant and machinery, jewelry, works of art, antiques, intangible assets, assets acquired and liabilities assumed in business combinations and assets that may have been impaired.
- The actuarial calculation of liabilities associated with insurance contracts or employee benefit plans.
- The estimation of oil and gas reserves.
- The valuation of environmental liabilities, and site clean-up costs.
- The interpretation of contracts, laws and regulations.
- The analysis of complex or unusual tax compliance issues.

In many cases, distinguishing between expertise in accounting or auditing, and expertise in another field, will be straightforward, even where this involves a specialised area of accounting or auditing. For example, an individual with expertise in applying methods of accounting for deferred income tax can often be easily distinguished from an expert in taxation law. The former is not an expert for the purposes of this SA as this constitutes accounting expertise; the latter is an expert for the purposes of this SA as this constitutes legal expertise. Similar distinctions may also be able to be made in other areas, for example, between expertise in methods of accounting for financial instruments, and expertise in complex modeling for the purpose of valuing financial instruments. In some cases, however, particularly those involving an emerging area of accounting or auditing expertise, distinguishing between specialised areas of accounting or auditing expertise, distinguishing between specialised areas of accounting or auditing, and expertise in another field, will be a matter of professional judgment. Applicable professional rules and standards regarding education and competency requirements for accountants and auditors may assist the auditor in exercising that judgment.

Expertise – Skills, knowledge and experience in a particular field.

Management's expert – An individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements.

Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
	Determining the Need for an Auditor's Expert		
Para 7	Whether expertise in a field other than accounting or auditing is necessary to obtain sufficient appropriate audit evidence? If yes, has the auditor determined whether to use the work of an auditor's expert? [Note: An auditor's expert may be needed to assist the auditor in one or more of the following: - Obtaining an understanding of the entity and its environment, including its internal control. - Identifying and assessing the risks of material misstatement. - Determining and implementing overall responses to assessed risks at the financial statement level. - Designing and performing further audit procedures to respond to assessed risks at the assertion level, comprising tests of controls or substantive procedures. - Evaluating the sufficiency and appropriateness of audit evidence obtained in forming an opinion on the financial statements. (Para A4)] [Note: The auditor's determination of whether to use the work of an auditor's expert, and if so when and to what extent, assists the auditor in meeting the following requirements. - Addressing risks of material misstatement – such risks may increase when expertise in a field other than accounting is needed for management to prepare the financial statements, for example, because this may indicate some complexity, or because management may not possess knowledge of the field of expertise and hence a management's expert may be used in addressing those risks. - Ensuring that the engagement team, and any auditor's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities to perform the audit engagement - If the preparation of the financial statements involves the use of expertise in a field other than accounting, the auditor, who is skilled in accounting and auditing, may not possess the necessary expertise to audit those financial statements. - Ascertaining the nature, timing and extent of resources necessary		

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	to perform the engagement. As the audit progresses, or as circumstances change, the auditor may need to revise earlier decisions about using the work of an auditor's expert. (Para A5 and A6)] [Note: An auditor who is not an expert in a relevant field other than accounting or auditing may nevertheless be able to obtain a sufficient understanding of that field to perform the audit without an auditor's expert. This understanding may be obtained through, for example, • Experience in auditing entities that require such expertise in the preparation of their financial statements, • Education or professional development in the particular field (including discussions with individuals possessing expertise in the particular field for the purpose of enhancing the auditor's own capacity to deal with matters in that field etc.) or • Discussion with auditors who have performed similar engagements. (Para A7)]		
Para A8	In determining the use of auditor's expert has the auditor considered the following? • Whether management has used a management's expert in preparing the financial statements? • The nature and significance of the matter, including its complexity. • The risks of material misstatement in the matter. • The expected nature of procedures to respond to identified risks, including the auditor's knowledge of and experience with the work of experts in relation to such matters; and the availability of alternative sources of audit evidence. [Note: When management has used a management's expert in preparing the financial statements, the auditor's decision on whether to use an auditor's expert may also be influenced by such factors as: • The nature, scope and objectives of the management's expert's work. • Whether the management's expert is employed by the entity, or is a party engaged by it to provide relevant services. • The extent to which management can exercise control or influence over the work of the management's expert. • The management's expert's competence and capabilities. • Whether the management's expert is subject to technical performance standards or other professional or industry requirements. • Any controls within the entity over the management's expert's work. (Para A9)]		

	Nature, Timing and Extent of Audit Procedures		
Para 8	Whether the auditor has considered following matters in determining the nature, timing and extent of procedures w.r.t. requirements in Para 9-13 of this SA? (a) The nature of the matter to which that expert's work relates; (b) The risks of material misstatement in the matter to which that expert's work relates; (c) The significance of that expert's work in the context of the audit; (d) The auditor's knowledge of and experience with previous work performed by that expert; and (e) Whether that expert is subject to the auditor's firm's quality control policies and procedures? [Note: An auditor's internal expert may be a partner or staff, including temporary staff, of the auditor's firm, and therefore subject to the quality control policies and procedures of that firm in accordance with SQC 1. Alternatively, an auditor's internal expert may be a partner or staff, including temporary staff, of a network firm, which may share common quality control policies and procedures with the auditor's firm. (Para A11)] An auditor's external expert is not a member of the engagement team and is not subject to quality control policies and procedures in accordance with SQC 1. Some law(s) or regulation(s), however, may require that an auditor's external expert be treated as a member of the engagement team, and may therefore be subject to relevant ethical and other professional requirements, including those relating to independence, as determined by such law(s) or regulation(s). (Para A12) Engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise. The extent of that reliance will vary with the circumstances, and may affect the nature, timing and extent of the auditor's procedures. Such reliance does not reduce the auditor's responsibility to meet the requirements of this SA. The nature, timing and extent of audit procedures will vary depending on the circumstances. (Para A13)]		
Para A10	In the following situations, has the auditor applied different or more extensive procedures that may be required? • The work of the auditor's expert relates to a significant matter that involves subjective and complex judgments. • The auditor has not previously used the work of the auditor's expert, and has no prior knowledge of that expert's competence, capabilities and objectivity.		

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	- The auditor's expert is performing procedures that are integral to the audit, rather than being consulted to provide advice on an individual matter. - The expert is an auditor's external expert and is not, therefore, subject to the firm's quality control policies and procedures.		
	The Competence, Capabilities and Objectivity of the Auditor's Expert		
Para 9	Whether the auditor evaluated that the auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes? [Note: In the case of an auditor's external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert's objectivity. (Para 9)] Information regarding the competence, capabilities and objectivity of an auditor's expert may come from a variety of sources, such as: - Personal experience with previous work of that expert. - Discussions with that expert. - Discussions with other auditors or others who are familiar with that expert's work. - Knowledge of that expert's qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition. - Published papers or books written by that expert. - The auditor's firm's quality control policies and procedures (Para A15)]		
Para A16, A17	For evaluating the competence, capabilities and objectivity of the auditor's expert, has the auditor considered the relevant matters including the following: - Whether that expert's work is subject to technical performance standards or other professional or industry requirements, for example, ethical standards and other membership requirements of a professional body or industry association, accreditation standards of a licensing body, or requirements imposed by law or regulation. - The relevance of the auditor's expert's competence to the matter for which that expert's work will be used, including any areas of specialty within that expert's field. For example, a particular actuary may specialise in property and casualty insurance, but have limited expertise regarding pension calculations. - The auditor's expert's competence with respect to relevant accounting and auditing requirements, for example, knowledge of assumptions and methods, including models where applicable, that		

	are consistent with the applicable financial reporting framework. Whether unexpected events, changes in conditions, or the audit evidence obtained from the results of audit procedures indicate that it may be necessary to reconsider the initial evaluation of the competence, capabilities and objectivity of the auditor's expert as the audit progresses.		
Para A20	For evaluating the objectivity of the auditor's external expert, has the auditor: - inquired of the entity about any known interests or relationships that the entity has with the auditor's external expert that may affect that expert's objectivity. - discussed with that expert any applicable safeguards, including any professional requirements that apply to that expert; and evaluated whether the safeguards are adequate to reduce threats to an acceptable level? (Interests and relationships that may be relevant to discuss with the auditor's expert include: - Financial interests. - Business and personal relationships. - Provision of other services by the expert, including by the organisation in the case of an external expert that is an organisation. Has the auditor evaluated whether it is appropriate to obtain written representations from the auditor's external expert about any interests or relationships with the entity of which that expert is aware and if so, obtained such representations? [Note: The evaluation of the significance of threats to objectivity and of whether there is a need for safeguards may depend upon the role of the auditor's expert and the significance of the expert's work in the context of the audit. There may be some circumstances in which safeguards cannot reduce threats to an acceptable level, for example, if a proposed auditor's expert is an individual who has played a significant role in preparing the information that is being audited, that is, if the auditor's expert is a management's expert. (Para A19)]		
	Obtaining an Understanding of the Field of Expertise of the Auditor's Expert		
Para 10	Has the auditor obtained a sufficient understanding of the field of expertise of the auditor's expert to enable the auditor to: (a) Determine the nature, scope and objectives of that expert's work for the auditor's purposes; and (b) Evaluate the adequacy of that work for the auditor's purposes? [Note: Aspects of the auditor's expert's field relevant to the auditor's		

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	understanding may include: • Whether that expert's field has areas of specialty within it that are relevant to the audit. • Whether any professional or other standards, and regulatory or legal requirements apply • What assumptions and methods, including models where applicable, are used by the auditor's expert, and whether they are generally accepted within that expert's field and appropriate for financial reporting purposes. • The nature of internal and external data or information the auditor's expert uses. (Para A22)		
	Agreement with the Auditor's Expert		
Para 11, A28, A29, A31	Has the auditor agreed in writing when appropriate on the following matters with the auditor's expert: (a) The nature, scope and objectives of that expert's work; (b) The respective roles and responsibilities of the auditor and that expert including • Whether the auditor or the auditor's expert will perform detailed testing of source data • Consent for the auditor to discuss the auditor's expert's findings or conclusions with the entity and others, and to include details of that expert's findings or conclusions in a modified auditor's report, if necessary • Any agreement to inform the auditor's expert of the auditor's conclusions concerning that expert's work • Access to, and retention of each other's working papers; (c) The nature, timing and extent of communication between the auditor and that expert, including the form of any report to be provided by that expert; and (d) The need for the auditor's expert to observe confidentiality requirements of relevant ethical requirements applicable to auditor or those imposed by law or regulation or as per the specific requirements of the entity? [Note: Following factors may suggest the need for more a detailed agreement than would otherwise be the case, or for the agreement to be set out in writing: • The auditor's expert will have access to sensitive or confidential entity information. • The respective roles or responsibilities of the auditor and the auditor's expert are different from those normally expected. • Multi-jurisdictional legal or regulatory requirements apply.		

	• The matter to which the auditor's expert's work relates is highly complex. • The auditor has not previously used work performed by that expert. • The greater the extent of the auditor's expert's work, and its significance in the context of the audit. (Para A24) [Note: Effective two-way communication facilitates the proper integration of the nature, timing and extent of the auditor's expert's procedures with other work on the audit, and appropriate modification of the auditor's expert's objectives during the course of the audit. For example, when the work of the auditor's expert relates to the auditor's conclusions regarding a significant risk, both a formal written report at the conclusion of that expert's work, and oral reports as the work progresses, may be appropriate. Identification of specific partners or staff who will liaise with the auditor's expert, and procedures for communication between that expert and the entity, assists timely and effective communication, particularly on larger engagements. (Para A30) Please refer to appendix to this SA for illustrative list of matters to be considered for inclusion in agreement with an auditor's external expert.]		
Para A26	If no separate written agreement has been entered into with auditor's expert, whether the evidence of agreement included in any one or more of the following? • Planning memoranda or related working papers such as the audit program. • The policies and procedures of the auditor's firm. In the case of an auditor's internal expert, the established policies and procedures to which that expert is subject may include particular policies and procedures in relation to that expert's work. The extent of documentation in the auditor's working papers depends on the nature of such policies and procedures. For example, no documentation may be required in the auditor's working papers if the auditor's firm has detailed protocols covering the circumstances in which the work of such an expert is used.		
	Evaluating the Adequacy of the Auditor's Expert's Work		
Para 12, A38, A39	Has the auditor evaluated the adequacy of the auditor's expert's work for the auditor's purposes, including: (a) The relevance and reasonableness of that expert's findings or conclusions, and their consistency with other audit evidence; (b) If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances; and		

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	(c) If that expert's work involves the use of source data that is significant to that expert's work, the relevance, completeness, and accuracy of that source data? In making the above determination, were the procedures such as the following, used to test the data: • Verification of origin of the data including ○ Understanding and where applicable testing of internal controls over the data ○ Where relevant, testing of transmission of data to expert • Review of data for completeness and internal consistency • Where the source data is highly technical in relation to the expert's field and has been tested by the expert: ○ inquiry of that expert by the auditor ○ supervision or review of that expert's tests?		
Para A33	Has the auditor performed following procedures to evaluate the adequacy of the auditor's expert's work: <i>(give response to each):</i> • Inquiries of the auditor's expert. • Review of the auditor's expert's working papers and reports. • Corroborative procedures, such as: ○ Observing the auditor's expert's work ○ Examining published data, such as statistical reports from reputable, authoritative sources; ○ Confirming relevant matters with third parties; ○ Performing detailed analytical procedures ○ Re-performing calculations. • Discussions with another expert with relevant expertise when, for example, the findings or conclusions of the auditor's expert are not consistent with other audit evidence. • Discussing the auditor's expert's report with management?		
Para A34	Whether the report of auditor's expert: • Presented in a manner that is consistent with any standards of the auditor's expert's profession or industry; • Clearly expressed, including reference to the objectives agreed with the auditor, the scope of the work performed, and standards applied; • Based on an appropriate period and take into account subsequent events, where relevant; • Subject to any reservation, limitation or restriction on use, and if		

	so, whether this has implications for the auditor; and Based on appropriate consideration of errors or deviations encountered by the auditor's expert?		
Para A37	When an auditor's expert's work involves the use of significant assumptions and methods, has the auditor evaluated whether they are: - Generally accepted within the auditor's expert's field; - Consistent with the requirements of the applicable financial reporting framework; - Dependent on the use of specialised models; and - Consistent with those of management, and if not, the reason for, and effects of, the differences?		
Para 13, A40	Whether the auditor determined that the work of the auditor's expert is not adequate for the auditor's purposes? If yes, has the auditor: (a) Agreed with that expert on the nature and extent of further work to be performed by that expert; or (b) Performed further audit procedures appropriate to the circumstances? Has the matter been resolved through the above additional audit procedures required by para 13? If not, has the auditor expressed a modified opinion in the auditor's report in accordance with SA 705(Revised) because the auditor has not obtained sufficient appropriate audit evidence?		
	Reference to the Auditor's Expert in the Auditor's Report		
Para 14	Whether the law or regulation require auditor to refer to the work of an auditor's expert in auditor's report containing an unmodified opinion? If yes, has the auditor indicated in the auditor's report that the reference does not reduce the auditor's responsibility for the audit opinion?		
Para 15	Whether the auditor has made reference to the work of an auditor's expert in the auditor's report because such reference is relevant to an understanding of a modification to the auditor's opinion? If yes, has the auditor indicated in the auditor's report that the reference does not reduce the auditor's responsibility for that audit opinion?		

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

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide on Reporting Standards (Revised SA 700, Revised SA 705 and Revised SA 706).

Scope

This Standard on Auditing (SA) deals with the auditor's responsibility to form an opinion on the financial statements. It also deals with the form and content of the auditor's report issued as a result of an audit of financial statements.

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

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

The requirements of this SA are aimed at addressing an appropriate balance between the need for consistency and comparability in auditor reporting globally and the need to increase the value of auditor reporting by making the information provided in the auditor's report more relevant to users. This SA promotes consistency in the auditor's report, but recognizes the need for flexibility to accommodate particular circumstances of individual jurisdictions. Consistency in the auditor's report, when the audit has been conducted in accordance with SAs, promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognized standards. It also helps to promote the user's understanding and to identify unusual circumstances when they occur.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2018.

Objectives

The objectives of the auditor are:

- (a) To form an opinion on the financial statements based on an evaluation of the conclusions drawn from the audit evidence obtained; and
- (b) To express clearly that opinion through a written report

Definitions

General purpose financial statements – Financial statements prepared in accordance with a general purpose framework.

General purpose framework – A financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance framework. The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

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

The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.

Unmodified opinion – The opinion expressed by the auditor when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Reference to “financial statements” in this SA means “a complete set of general purpose financial statements, including the related notes.” The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information and any other information required to be included as part of the financial statements by the laws and regulations governing the entity. The requirements of the applicable financial reporting framework determine the form and content of the financial statements, and what constitutes a complete set of financial statements.

Reference to “Accounting Standards” in this SA includes:

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

as may be applicable to the entity.

Para No.	Particulars	Response [Yes, No, NA] (Give comments wherever required)	WP Reference
	Forming an Opinion on the Financial Statements		
Para 10	Whether the auditor has formed an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework?		
Para 11	Whether the auditor has concluded as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error? In forming that conclusion, has the auditor considered: (a) The auditor's conclusion, in accordance with SA 330, whether sufficient appropriate audit evidence has been obtained; (b) The auditor's conclusion, in accordance with SA 450, whether uncorrected misstatements are material, individually or in aggregate; and (c) The evaluations required by para 12-15 of this SA (Refer below)?		
Para 12	Whether the financial statements are prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework? In evaluating this, whether the auditor has considered qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments? [Note: In considering the qualitative aspects of the entity's accounting practices, the auditor may become aware of possible bias in management's judgments. The auditor may conclude that the cumulative effect of a lack of neutrality, together with the effect of uncorrected misstatements, causes the financial statements as a whole to be materially misstated. Indicators of a lack of neutrality that may affect the auditor's evaluation of whether the financial statements as a whole are materially misstated include the following: The selective correction of misstatements brought to management's attention during the audit (e.g., correcting misstatements with the effect of increasing reported earnings, but		

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	not correcting misstatements that have the effect of decreasing reported earnings). Possible management bias in the making of accounting estimates. (Para A2)]		
Para 13	Whether, in view of the requirements of the applicable financial reporting framework: (a) The financial statements adequately disclose the significant accounting policies selected and applied; (b) The accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate; (c) The accounting estimates made by management are reasonable; (d) The information presented in the financial statements is relevant, reliable, comparable, and understandable; (e) The financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements; and (f) The terminology used in the financial statements, including the title of each financial statement, is appropriate?		
Para 14	Whether the evaluation as to whether the financial statements achieve fair presentation considered: (a) The overall presentation, structure and content of the financial statements; and (b) Whether the financial statements, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation?		
Para 15	Whether the financial statements adequately refer to or describe the applicable financial reporting framework?		
	Form of Opinion		
Para 16, 17	Has the auditor concluded that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework? If yes, has the auditor expressed an unmodified opinion? If no, whether the auditor: (a) concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or (b) is unable to obtain sufficient appropriate audit evidence to		

	conclude that the financial statements as a whole are free from material misstatement? Then the auditor shall modify the opinion in the auditor's report in accordance with SA 705 (Revised).		
Para 18	When financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation has the auditor discussed the matter with management? Whether it is necessary to modify the opinion in the auditor's report in accordance with SA 705 (Revised)? [Note: There may be cases where the financial statements, although prepared in accordance with the requirements of a fair presentation framework, do not achieve fair presentation. Where this is the case, it may be possible for management to include additional disclosures in the financial statements beyond those specifically required by the framework or, in extremely rare circumstances, to depart from a requirement in the framework in order to achieve fair presentation of the financial statements. (Para A11)]		
Para 19	When the financial statements are prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the financial statements achieve fair presentation. However, if in extremely rare circumstances the auditor concludes that such financial statements are misleading, has the auditor discussed the matter with management? and, Has the auditor decided how it is resolved, and whether and how, to communicate it in the auditor's report?		
	Auditor's Report		
	Auditor's Report for Audits Conducted in Accordance with Standards on Auditing		
Para 20	Whether the auditor's report is in writing?		
Para 21	Whether the auditor's report have a title that clearly indicates that it is the report of an independent auditor?		
Para 22	Whether the auditor's report addressed, as appropriate, based on the circumstances of the engagement?		
Para 23	Whether the first section of the auditor's report include the auditor's opinion, and have the heading "Opinion"?		

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Para 24	Whether the Opinion section of the auditor's report also: (a) Identifies the entity whose financial statements have been audited; (b) States that the financial statements have been audited; (c) Identifies the title of each statement comprising the financial statements; (d) Refers to the notes, including the summary of significant accounting policies; and (e) Specifies the date of, or period covered by, each financial statement comprising the financial statements?		
Para 25	When expressing an unmodified opinion on financial statements prepared in accordance with a fair presentation framework whether the auditor's opinion use one of the following phrases, which are regarded as being equivalent: (a) In our opinion, the accompanying financial statements present fairly, in all material respects, [...] in accordance with [the applicable financial reporting framework]; or (b) In our opinion, the accompanying financial statements give a true and fair view of [...] in accordance with [the applicable financial reporting framework]? [Note: In the case of financial statements prepared in accordance with a fair presentation framework, the auditor's opinion states that the financial statements present fairly, in all material respects, or give a true and fair view of, the matters that the financial statements are designed to present. For example, in the case of financial statements of companies prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015, these matters are: true and fair view of the state of affairs of the company as at the end of its financial year and its profit or loss, (changes in equity) and its cash flows for the year ended on that date. Consequently, the [...] in paragraph 25 and elsewhere in this SA is intended to be replaced by the words in italics in the preceding sentence when the applicable financial reporting framework is Indian Accounting Standards (Ind AS)/ Accounting Standards or, in the case of other applicable financial reporting frameworks, be replaced with words that describe the matters that the financial statements are designed to present. (Para A22)]		
Para 26, 27	When expressing an unmodified opinion on financial statements prepared in accordance with a compliance framework, whether the auditor's opinion states that the accompanying financial statements are prepared, in all material respects, in accordance with [the applicable financial reporting framework]? If the reference to the applicable financial reporting framework in the		

	auditor's opinion is not to Accounting Standards referred to in para 9 of this SA, has the auditor's opinion identified the origin of such other framework?		
Para 28	Whether the auditor's report have 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 the section of the auditor's report that describes the auditor's responsibilities under the SAs; (c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shall refer to the Code of Ethics issued by ICAI; (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?		
Para 29	Where applicable, has the auditor reported in accordance with SA 570 (Revised)?		
Para 30	For audits of complete sets of general purpose financial statements of listed entities, has the auditor communicated key audit matters in the auditor's report in accordance with SA 701?		
Para 31	Whether the auditor is otherwise required by law or regulation or decides to communicate key audit matters in the auditor's report, has the auditor done so in accordance with SA 701?		
Para 32	Where applicable, has the auditor reported other information in accordance with SA 720(Revised)?		
Para 33, 34	Has the auditor included a section with a heading "Responsibilities of Management for the Financial Statements"? If yes, whether such section of the auditor's report describes management's responsibility for: (a) Preparing the financial statements in accordance with the applicable financial reporting framework, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and (b) Assessing the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate as well as disclosing, if applicable, matters relating to		

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	going concern. The explanation of management's responsibility for this assessment shall include a description of when the use of the going concern basis of accounting is appropriate? [Note: The auditor's report shall use the term that is appropriate in the context of the legal framework applicable to the entity and need not refer specifically to "management". In some entities, the appropriate reference may be to those charged with governance.]		
Para 35	Whether those responsible for the oversight of the financial reporting process are different from those who fulfil the responsibilities described above? If yes, whether the heading of this section also refers to "Those Charged with Governance" or such term that is appropriate in the context of the legal framework applicable to entity?		
Para 36	Whether the financial statements are prepared in accordance with a fair presentation framework? If yes, whether the description of responsibilities for the financial statements in the auditor's report refers to "the preparation and fair presentation of these financial statements" or "the preparation of financial statements that give a true and fair view," as appropriate in the circumstances?		
Para 37, 38, 39, 40	Whether the auditor's report includes a section with the heading "Auditor's Responsibilities for the Audit of the Financial Statements"? If yes, whether this section: (a) States that the objectives of the auditor are to: (i) Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and (ii) Issue an auditor's report that includes the auditor's opinion. (b) States that reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists; and (c) States that misstatements can arise from fraud or error, and either: (i) Describe that they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements; or (ii) Provide a definition or description of materiality in accordance with the applicable financial reporting		

	framework. (d) States that, as part of an audit in accordance with SAs, the auditor exercises professional judgment and maintains professional skepticism throughout the audit; and (e) Describe an audit by stating that the auditor's responsibilities are: (i) To identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. (ii) To obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. (iii) To evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. (iv) To conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern. (v) When the financial statements are prepared in accordance with a fair presentation framework, to evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.		
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	(f) When SA 600 applies, further describe the auditor's responsibilities in a group audit engagement by stating: The division of responsibility for the financial information of the entity 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. (g) State that the auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit; (h) State that the auditor provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards; and (i) For audits of financial statements of all such entities for which key audit matters are communicated in accordance with SA 701, state that, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. In accordance with the requirements of SA 701, the auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication?		
Para 41	Whether the description of the auditor's responsibilities for the audit of the financial statements required by para 39-40 of this SA has been included: (a) Within the body of the auditor's report; (b) Within an appendix to the auditor's report, in which case the auditor's report shall include a reference to the location of the appendix; or (c) By a specific reference within the auditor's report to the location of such a description on a website of an appropriate authority, where law, regulation or the applicable auditing standards expressly permit the auditor to do so.		

Para 42	When the auditor refers to a description of the auditor's responsibilities on a website of an appropriate authority, whether the auditor has determined that such description addresses, and is not inconsistent with, the requirements in paragraphs 39 – 40 of this SA.		
Para 43	Whether the auditor addresses other reporting responsibilities in the auditor's report on the financial statements that are in addition to the auditor's responsibilities under the SAs? If yes, whether these other reporting responsibilities addressed in a separate section in the auditor's report with a heading titled "Report on Other Legal and Regulatory Requirements"? [Note: If other reporting responsibilities are presented in the same section as the related report elements required by the SAs, the auditor's report shall clearly differentiate the other reporting responsibilities from the reporting that is required by the SAs. (Para 44)] If the auditor's report contains a separate section that addresses other reporting responsibilities, the requirements of paragraphs 20–40 of this SA shall be included under a section with a heading "Report on the Audit of the Financial Statements." The "Report on Other Legal and Regulatory Requirements" shall follow the "Report on the Audit of the Financial Statements." (Para 45)]		
Para 46	Whether the auditor's report is signed by the auditor (i.e. the engagement partner) in his personal name or where the firm is appointed as the auditor, the report is signed in the personal name of the auditor and in the name of the audit firm? If yes, whether the partner/proprietor signing the audit report mentions the membership number assigned by the ICAI along with the registration number of the firm, wherever applicable, as allotted by ICAI, in the audit reports signed by them?		
Para 47	Whether the auditor's report names specific location, which is ordinarily the city where the auditor's report is signed?		
Para 48	Whether the auditor's report dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that: (a) All the statements that comprise the financial statements, including the related notes, have been prepared; and (b) Those with the recognized authority have asserted that they have		

Checklist on Standards on Auditing

	taken responsibility for those financial statements?		
	Auditor's Report Prescribed by Law or Regulation		
Para 49	Whether the auditor is required by law or regulation applicable to the entity to use a specific layout, or wording of the auditor's report? If yes, the auditor's report shall refer to Standards on Auditing only if the auditor's report includes, at a minimum, each of the following elements: (a) A title. (b) An addressee, as required by the circumstances of the engagement. (c) An Opinion section containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements. (d) An identification of the entity's financial statements that have been audited. (e) A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shall refer to the Code of Ethics issued by ICAI. (f) Where applicable, a section that addresses, and is not inconsistent with, the reporting requirements in paragraph 22 of SA 570(Revised). (g) Where applicable, a Basis for Qualified (or Adverse) Opinion section that addresses, and is not inconsistent with, the reporting requirements in paragraph 23 of SA 570 (Revised). (h) Where applicable, a section that includes the information required by SA 701, or additional information about the audit that is prescribed by law or regulation and that addresses, and is not inconsistent with, the reporting requirements in that SA. (i) Where applicable, a section that addresses the reporting requirements in paragraph 24 of SA 720 (Revised). (j) A description of management's responsibilities for the preparation of the financial statements and an identification of those responsible for the oversight of the financial reporting process that addresses, and is not inconsistent with, the requirements in paragraphs 33-36 of this SA. (k) A reference to Standards on Auditing and the law or regulation, and a description of the auditor's responsibilities for an audit of the financial statements that addresses, and is not inconsistent with, the requirements in paragraphs 37-40 of this SA. (l) The auditor's signature.		

	(m) The Place of signature (n) The date of the auditor's report. [Note: The SAs do not override law or regulation that governs an audit of financial statements. When SA 701 is applicable, reference can only be made to SAs in the auditor's report if, in applying the law or regulation, the section required by paragraph 49(h) of this SA is not inconsistent with the reporting requirements in SA 701. In such circumstances, the auditor may need to tailor certain aspects of the communication of key audit matters in the auditor's report required by SA 701, for example by: • Modifying the heading "Key Audit Matters", if law or regulation prescribes a specific heading; • Explaining why the information required by law or regulation is being provided in the auditor's report, for example by making a reference to the relevant law or regulation and describing how that information relates to the key audit matters; • Where law or regulation prescribes the nature and extent of the description, supplementing the prescribed information to achieve an overall description of each key audit matter that is consistent with the requirement in paragraph 13 of SA 701. (Para A65)]		
	Auditor's Report for Audits Conducted in Accordance with Both Standards on Auditing issued by ICAI and International Standards on Auditing or Auditing Standards of Any Other Jurisdiction		
Para 50, 51	Whether the auditor is required to conduct an audit in accordance with, in addition to the Standards on Auditing issued by ICAI, the International Standards on Auditing or auditing standards of any other jurisdiction? If yes, whether the auditor's report refer to Standards on Auditing in addition to the International Standards on Auditing or auditing standards of such other jurisdiction, only if: (a) There is no conflict between the requirements in the ISAs or such auditing standards of other jurisdiction and those in SAs that would lead the auditor (i) to form a different opinion, or (ii) not to include an Emphasis of Matter paragraph or Other Matter paragraph that, in the particular circumstances, is required by SAs; and (b) The auditor's report includes, at a minimum, each of the elements set out in paragraphs 49(a)–(n) above when the auditor uses the layout or wording specified by the Standards on Auditing. However, reference to "law or regulation" in paragraph 49(k) shall be read as reference to the Standards on Auditing. The		

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	auditor's report shall thereby identify such Standards on Auditing? When the auditor's report refers to both the ISAs or the auditing standards of a specific jurisdiction and the Standards on Auditing issued by ICAI, whether the auditor's report clearly identified the same including the jurisdiction of origin of the other auditing standards? [Note: A reference to both Standards on Auditing issued by ICAI and the International Standards on Auditing/auditing standards of another jurisdiction is not appropriate if there is a conflict between the requirements in SAs and those ISAs/ auditing standards of such other jurisdiction that would lead the auditor to form a different opinion or not to include an Emphasis of Matter or Other Matter paragraph that, in the particular circumstances, is required by SAs. In such a case, the auditor's report refers only to the auditing standards (either Standards on Auditing issued by ICAI or ISAs/the auditing standards of such other jurisdiction) in accordance with which the auditor's report has been prepared. (Para A69)]		
	Supplementary Information Presented with the Financial Statements		
Para 52	Whether supplementary information that is not required by the applicable financial reporting framework is presented with the audited financial statements? If yes, whether in the auditor's professional judgment, supplementary information is nevertheless an integral part of the financial statements due to its nature or how it is presented? When it is an integral part of the financial statements, whether the supplementary information is covered by the auditor's opinion? [Note: To illustrate: • When the notes to the financial statements include an explanation or the reconciliation of the extent to which the financial statements comply with another financial reporting framework, the auditor may consider this to be supplementary information that cannot be clearly differentiated from the financial statements. The auditor's opinion would also cover notes or supplementary schedules that are cross-referenced from the financial statements. • When an additional profit and loss account that discloses specific items of expenditure is disclosed as a separate schedule included as an Appendix to the financial statements, the auditor may consider this to be supplementary information that can be clearly differentiated from the financial statements. (Para A71)]		

Para 53	Whether supplementary information that is not required by the applicable financial reporting framework is not considered an integral part of the audited financial statements? If yes, whether such supplementary information is presented in a way that sufficiently and clearly differentiates it from the audited financial statements? [Note: If this is not the case, then the auditor shall ask management to change how the unaudited supplementary information is presented. If management refuses to do so, the auditor shall identify the unaudited supplementary information and explain in the auditor's report that such supplementary information has not been audited.] [Note: Management could change the presentation of unaudited supplementary information that could be construed as being covered by the auditor's opinion, for example, by: • Removing any cross-references from the financial statements to unaudited supplementary schedules or unaudited notes so that the demarcation between the audited and unaudited information is sufficiently clear. • Placing the unaudited supplementary information outside of the financial statements or, if that is not possible in the circumstances, at a minimum placing the unaudited notes together at the end of the required notes to the financial statements and clearly labeling them as unaudited. Unaudited notes that are intermingled with the audited notes can be misinterpreted as being audited. (Para A75) The fact that supplementary information is unaudited does not relieve the auditor of the responsibilities described in SA 720(Revised). (Para A76)]		
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SA 701, Communicating Key Audit Matters in the Independent Auditor's Report

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide to SA 701, “Communicating Key Audit Matters in the Independent Auditor's Report”.

Scope

This Standard on Auditing (SA) deals with the auditor's responsibility to communicate key audit matters in the auditor's report. It is intended to address both the auditor's judgment as to what to communicate in the auditor's report and the form and content of such communication.

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

The communication of key audit matters in the auditor's report may also provide intended users a basis to further engage with management and those charged with governance about certain matters relating to the entity, the audited financial statements, or the audit that was performed.

Communicating key audit matters in the auditor's report is in the context of the auditor having formed an opinion on the financial statements as a whole. Communicating key audit matters in the auditor's report is not:

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

This SA applies to audits of complete sets of general purpose financial statements of listed entities and circumstances when the auditor otherwise decides to communicate key audit matters in the auditor's report. This SA also applies when the auditor is required by law or regulation to communicate key audit matters in the auditor's report. However, SA 705 (Revised) prohibits the auditor from communicating key audit matters when the auditor disclaims an opinion on the financial statements, unless such reporting is required by law or regulation.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2018.

Objectives

The objectives of the auditor are to determine key audit matters and, having formed an opinion on the financial statements, communicate those matters by describing them in the auditor's report.

Definition

Key audit matters - Those matters that, in the 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 those charged with governance.

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] (<i>give comments wherever required</i>)	WP Reference
	Determining Key Audit Matters		
Para 9	Whether the auditor has determined key audit matters from the matters communicated with those charged with governance, that required significant auditor attention in performing the audit? In making this determination, has the auditor taken into account the following: - Areas of higher assessed risk of material misstatement, or significant risks identified in accordance with SA 315. - Significant auditor judgments relating to areas in the financial statements that involved significant management judgment, including accounting estimates that have been identified as having high estimation uncertainty. - The effect on the audit of significant events or transactions that occurred during the period? [Note: The auditor's determination of key audit matters is limited to those matters of most significance in the audit of the financial statements of the current period, even when comparative financial statements are presented (i.e., even when the auditor's opinion refers to each period for which financial statements are presented) (Para A10)] Events or transactions that had a significant effect on the financial statements or the audit may be areas of significant auditor attention and may be identified as significant risks. For example, the auditor may have had extensive discussions with management and those charged with governance at various stages throughout the audit about the effect on the financial statements of significant transactions with related parties or significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual. Management may have made difficult or complex judgments in relation to recognition, measurement, presentation or disclosure of such transactions, which may have had a significant effect on the auditor's overall strategy. (Para A25)].		
Para A12	Whether the evaluation of significant auditor attention took into account that: - an audit is risk based and focused on identifying and assessing the risks of material misstatement of the financial statements, - designed and performed audit procedures responsive to those		

	risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion? [Note: For a particular account balance, class of transactions or disclosure, the higher an assessed risk of material misstatement at the assertion level, the more judgment is often involved in planning and performing the audit procedures and evaluating the results thereof. In designing further audit procedures, the auditor is required to obtain more persuasive audit evidence the higher the auditor's assessment of risk. When obtaining more persuasive audit evidence because of a higher assessment of risk, the auditor may increase the quantity of the evidence, or obtain evidence that is more relevant or reliable, for example, by placing more emphasis on obtaining third party evidence or by obtaining corroborating evidence from a number of independent sources]		
Para A13	Has the auditor identified matters that pose challenges to the auditor in obtaining sufficient appropriate audit evidence or pose challenges to the auditor in forming an opinion on the financial statements that may be particularly relevant in the auditor's determination of key audit matters?		
Para A14	Whether any matter identified which required complex and significant management judgment in the financial statements, and therefore involve difficult or complex auditor judgments affecting auditor's overall audit strategy, the allocation of resources and extent of audit effort in relation to such matters? If yes, has the auditor identified such matters as key audit matters?		
Para A16	Has the auditor developed a preliminary view at the planning stage about matters that are likely to be areas of significant auditor attention in the audit and therefore may be key audit matters? If yes, whether the auditor communicated this with those charged with governance when discussing the planned scope and timing of the audit in accordance with SA 260 (Revised)?		
Para 10	Whether the auditor has determined which of the matters determined in accordance with Para 9 were of most significance in the audit of the financial statements of the current period and therefore are the key audit matters? [Note: Determining which, and how many, of those matters that required significant auditor attention were of most significance in the audit of the financial statements of the current period is a matter of professional judgment. The number of key audit matters to be included in the auditor's report may be affected by the size and complexity of the entity, the nature of its business and environment, and the facts and circumstances of the audit engagement. In general, the greater the number of matters initially determined to be key audit		

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	matters, the more the auditor may need to reconsider whether each of these matters meets the definition of a key audit matter. Lengthy lists of key audit matters may be contrary to the notion of such matters being those of most significance in the audit. (Para A30)]		
Para A24	Whether the auditor has identified: - estimates which were highly dependent on management judgment and were the most complex areas of the financial statements, and required the involvement of both a management's expert and an auditor's expert or - accounting policies that have a significant effect on the financial statements (and significant changes to those policies) are relevant to users' understanding of the financial statements, especially in circumstances where an entity's practices are not consistent with others in its industry? If yes, has the auditor identified such matters as key audit matters?		
Para A29	Whether following have been considered when determining the relative significance of a matter communicated with those charged with governance and whether such a matter is a key audit matter? - The importance of the matter to intended users' understanding of the financial statements as a whole, in particular, its materiality to the financial statements. - The nature of the underlying accounting policy relating to the matter or the complexity or subjectivity involved in management's selection of an appropriate policy compared to other entities within its industry. - The nature and materiality, quantitatively or qualitatively, of corrected and accumulated uncorrected misstatements due to fraud or error related to the matter, if any. - The nature and extent of audit effort needed to address the matter, including: - The extent of specialized skill or knowledge needed to apply audit procedures to address the matter or evaluate the results of those procedures, if any. - The nature of consultations outside the engagement team regarding the matter. - The nature and severity of difficulties in applying audit procedures, evaluating the results of those procedures, and obtaining relevant and reliable evidence on which to base the auditor's opinion, in particular as the auditor's judgments become more subjective. - The severity of any control deficiencies identified relevant to the matter. - Whether the matter involved a number of separate, but related,		

	auditing considerations. For example, long-term contracts may involve significant auditor attention with respect to revenue recognition, litigation or other contingencies, and may have an effect on other accounting estimates.		
	Communicating Key Audit Matters		
Para 11	Whether the auditor has described each key audit matter, using an appropriate subheading, in a separate section of the auditor's report under the heading "Key Audit Matters", unless circumstances in Para 14 or 15 apply. Whether the introductory language in this section of the auditor's report states: (a) Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements [of the current period]; and (b) These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters?		
	Key Audit Matters Not a Substitute for Expressing a Modified Opinion		
Para 12	Whether the auditor is required to modify the opinion in accordance with SA 705 (Revised) as a result of the matter? If yes, auditor shall not communicate such matter in the Key Audit Matters section of the auditor's report.		
	Descriptions of Individual Key Audit Matters		
Para 13	Whether description of each key audit matters in the key audit matters section of the auditor's report included a reference to the related disclosure(s), if any, in the financial statements and addressed: (a) Why the matter was considered to be one of most significance in the audit and therefore determined to be a key audit matter; and (b) How the matter was addressed in the audit? [Note: It is appropriate for the auditor to seek to avoid the description of a key audit matter inappropriately providing original information about the entity. The description of a key audit matter is not usually of itself original information about the entity, as it describes the matter in the context of the audit. However, the auditor may consider it necessary to include additional information to explain why the matter was considered to be one of most significance in the audit and therefore determined to be a key audit matter, and how the matter was addressed in the audit, provided that disclosure of such information is not precluded by law or regulation. When such information is determined to be necessary by the auditor, the auditor may encourage		

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	management or those charged with governance to disclose additional information, rather than the auditor providing original information in the auditor's report. (Para A36) The description may also make reference to the principal considerations that led the auditor, in the circumstances of the audit, to determine the matter to be one of most significance, for example: • Economic conditions that affected the auditor's ability to obtain audit evidence, for example illiquid markets for certain financial instruments. • New or emerging accounting policies, for example entity-specific or industry-specific matters on which the engagement team consulted within the firm. • Changes in the entity's strategy or business model that had a material effect on the financial statements. (Para A45)]		
Para A46	When describing how the matter was addressed in the audit, has the auditor described: • Aspects of the auditor's response or approach that were most relevant to the matter or specific to the assessed risk of material misstatement; • A brief overview of procedures performed; • An indication of the outcome of the auditor's procedures; or • Key observations with respect to the matter or some combination of these elements?		
Para A47	Whether the language used in the description of a key audit matter: • Does not imply that the matter has not been appropriately resolved by the auditor in forming the opinion on the financial statements. • Relates the matter directly to the specific circumstances of the entity, while avoiding generic or standardized language. • Takes into account how the matter is addressed in the related disclosure(s) in the financial statements, if any. • Does not contain or imply discrete opinions on separate elements of the financial statements?		
	Circumstances in Which a Matter Determined to Be a Key Audit Matter is Not Communicated in the Auditor's Report		
Para 14	Has the auditor described each key audit matter in the auditor's report? If not, is this due to: a) Law or regulation precludes public disclosure about the matter? b) The auditor's determination that the adverse consequences of doing so would reasonably be expected to outweigh the public		

	interest benefits of such communication? (This shall not apply if the entity has publicly disclosed information about the matter).		
	Interaction between Descriptions of Key Audit Matters and Other Elements Required to Be Included in the Auditor's Report		
Para 15	Whether any matter giving rise to a modified opinion in accordance with SA 705 (Revised), or a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with SA 570 (Revised)? If yes, then these matters shall not be described in the Key Audit Matters section of the auditor's report. For such matters, has the auditor: (a) Reported in accordance with the applicable SA(s); and (b) Included a reference to the Basis for Qualified (Adverse) Opinion or the Material Uncertainty Related to Going Concern section(s) in the Key Audit Matters section?		
	Form and Content of the Key Audit Matters Section in Other Circumstances		
Para 16	Whether the auditor has determined that there are no key audit matters to communicate or that the only key audit matters communicated are those matters addressed by Para 15? If yes, has the auditor included a statement to this effect in a separate section of the auditor's report under the heading "Key Audit Matters?" [Note: The requirement in paragraph 16 applies in three circumstances: (i) The auditor determines in accordance with paragraph 10 that there are no key audit matters. (ii) The auditor determines in accordance with paragraph 14 that a key audit matter will not be communicated in the auditor's report and no other matters have been determined to be key audit matters. (iii) The only matters determined to be key audit matters are those communicated in accordance with paragraph 15. (Para A57) The following illustrates the presentation in the auditor's report if the auditor has determined there are no key audit matters to communicate:] Key Audit Matters [Except for the matter described in the Basis for Qualified (Adverse) Opinion section or Material Uncertainty Related to Going Concern section,] We have determined that there are no [other] key audit matters to communicate in our report. (Para A58)]		

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	Communication with Those Charged with Governance		
Para 17	Has the auditor communicated with those charged with governance: (a) Those matters the auditor has determined to be the key audit matters; or (b) If applicable, depending on the facts and circumstances of the entity and the audit, the auditor's determination that there are no key audit matters to communicate in the auditor's report? [Note: The communication with those charged with governance required by Para 17(a) also addresses the extremely rare circumstances in which a matter determined to be a key audit matter is not communicated in the auditor's report. (Para A62) The requirement in paragraph 17(b) to communicate with those charged with governance when the auditor has determined there are no key audit matters to communicate in the auditor's report may provide an opportunity for the auditor to have further discussion with others who are familiar with the audit and the significant matters that may have arisen (including the engagement quality control reviewer, where one has been appointed). These discussions may cause the auditor to re-evaluate the auditor's determination that there are no key audit matters.(Para A63)]		
	Documentation		
Para 18	Has the auditor included in the audit documentation: (a) The matters that required significant auditor attention as determined in accordance with paragraph 9, and the rationale for the auditor's determination as to whether or not each of these matters is a key audit matter in accordance with paragraph 10; (b) Where applicable, the rationale for the auditor's determination that there are no key audit matters to communicate in the auditor's report or that the only key audit matters to communicate are those matters addressed by paragraph 15; and (c) Where applicable, the rationale for the auditor's determination not to communicate in the auditor's report a matter determined to be a key audit matter?		

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

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide on Reporting Standards (Revised SA 700, Revised SA 705 and Revised SA 706).

Scope

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

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

- (a) The nature of the matter giving rise to the modification, that is, whether the financial statements are materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated; and
- (b) The auditor's judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements.

The table below illustrates how the auditor's judgment about the nature of the matter giving rise to the modification, and the pervasiveness of its effects or possible effects on the financial statements, affects the type of opinion to be expressed.

Nature of Matter Giving Rise to the Modification	Auditor's Judgment about the Pervasiveness of the Effects or Possible Effects on the Financial Statements	
	Material but Not Pervasive	Material and Pervasive
Financial statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2018.

Objective

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

- (a) The auditor concludes, based on the audit evidence obtained, that 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.

Definitions

Pervasive – A term used, in the context of misstatements, to describe the effects on the financial statements of misstatements or the possible effects on the financial statements of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence. Pervasive effects on the financial statements are those that, in the auditor's judgment:

- (i) Are not confined to specific elements, accounts or items of the financial statements;
- (ii) If so confined, represent or could represent a substantial proportion of the financial statements;
or
- (iii) In relation to disclosures, are fundamental to users' understanding of the financial statements.

Modified opinion – A qualified opinion, an adverse opinion or a disclaimer of opinion on the financial statements.

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] <i>(give comments wherever required)</i>	WP Reference
	Circumstances When a Modification to the Auditor's Opinion is Required		
Para 6	Has the auditor modified 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? [Note: SA 450 defines a misstatement as a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Accordingly, a material misstatement of the financial statements may arise in relation to: (a) The appropriateness of the selected accounting policies; (b) The application of the selected accounting policies; or (c) The appropriateness or adequacy of disclosures in the financial statements (Para A3)]		
Para A4	Whether the auditor has identified any of the following in relation to appropriateness of accounting policies selected by management which may result into material misstatement of the financial statements: (a) The selected accounting policies are not consistent with the applicable financial reporting framework; or (b) The financial statements, including the related notes, do not represent the underlying transactions and events in a manner that achieves fair presentation?		
Para A5	Whether the changes in selection of significant accounting policies adhere to the requirements of the financial reporting frameworks in relation to accounting for, and disclosure of, changes in accounting policies? If yes, whether the entity complied with these requirements? If entity not complied with these requirements, then this can give rise to material misstatement.		
Para A6	Whether the auditor has identified any of the following in relation to the application of the selected accounting policies which may result into material misstatement of the financial statements?		

	(a) When management has not applied the selected accounting policies consistently with the financial reporting framework, including when management has not applied the selected accounting policies consistently between periods or to similar transactions and events (consistency in application); or (b) Due to the method of application of the selected accounting policies (such as an unintentional error in application)?		
Para A7	Whether the auditor has identified any of the following in relation to the appropriateness or adequacy of disclosures in the financial statements which may result into material misstatement of this financial statements? (a) The financial statements do not include all of the disclosures required by the applicable financial reporting framework; (b) The disclosures in the financial statements are not presented in accordance with the applicable financial reporting framework; or (c) The financial statements do not provide the disclosures necessary to achieve fair presentation.		
Para A8	Whether any of the following situations arose for the auditor which caused inability to obtain sufficient appropriate audit evidence (also referred to as a limitation on the scope of the audit)? (a) Circumstances beyond the control of the entity; (b) Circumstances relating to the nature or timing of the auditor's work; or (c) Limitations imposed by management. [Note: Examples of circumstances beyond the control of the entity include when: • The entity's accounting records have been destroyed. • The accounting records of a significant component have been seized indefinitely by governmental authorities. (Para A10) Examples of circumstances relating to the nature or timing of the auditor's work include when: • The entity is required to use the equity method of accounting for an associated entity, and the auditor is unable to obtain sufficient appropriate audit evidence about the latter's financial information to evaluate whether the equity method has been appropriately applied. • The timing of the auditor's appointment is such that the auditor is unable to observe the counting of the physical inventories. • The auditor determines that performing substantive procedures alone is not sufficient, but the entity's controls are not effective. (Para A11) Examples of an inability to obtain sufficient appropriate audit evidence arising from a limitation on the scope of the audit imposed		

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	by management include when: • Management prevents the auditor from observing the counting of the physical inventory. • Management prevents the auditor from requesting external confirmation of specific account balances.(Para A12)]		
	Determining the Type of Modification to the Auditor's Opinion		
Para 7	Whether the auditor has expressed a qualified opinion when: (a) 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 (b) 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?		
Para 8	Has the auditor expressed an 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?		
Para 9	Has the auditor disclaimed 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?		
Para 10	Has the auditor concluded that it is not possible to form an opinion on the financial statements due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the financial statements? If yes, whether the opinion is disclaimed?		
	Consequence of an Inability to Obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation after the Auditor Has Accepted the Engagement		
Para 11	Whether, after the acceptance of engagement, the management has imposed limitation on scope of audit which can cause auditor to express a qualified opinion or to disclaim an opinion on the financial statements? If yes, has the auditor requested that management remove the limitation?		
Para 12	Whether the management has refused to remove the said limitation? If yes, has the auditor communicated the matter to those charged with governance, unless all of those charged with governance are involved in managing the entity and determined whether it is possible to		

	perform alternative procedures to obtain sufficient appropriate audit evidence?		
Para 13	When the auditor is unable to obtain sufficient appropriate audit evidence, has the auditor determined following implications? (a) If the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive, the auditor shall qualify the opinion; or (b) If the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive so that a qualification of the opinion would be inadequate to communicate the gravity of the situation, the auditor shall: (i) Withdraw from the audit, where practicable and possible under applicable law or regulation; or (ii) If withdrawal from the audit before issuing the auditor's report is not practicable or possible, disclaim an opinion on the financial statements. [Note: The practicality of withdrawing from the audit may depend on the stage of completion of the engagement at the time that management imposes the scope limitation. If the auditor has substantially completed the audit, the auditor may decide to complete the audit to the extent possible, disclaim an opinion and explain the scope limitation within the Basis for Disclaimer of Opinion section prior to withdrawing. (Para A13)] In certain circumstances, withdrawal from the audit may not be possible if the auditor is required by law or regulation to continue the audit engagement. This may be the case for an auditor that is appointed to audit the financial statements of public sector entities. It may also be the case in entities where the auditor is appointed to audit the financial statements covering a specific period, or appointed for a specific period and is prohibited from withdrawing before the completion of the audit of those financial statements or before the end of that period, respectively. The auditor may also consider it necessary to include an Other Matter paragraph in the auditor's report.(Para A14)]		
Para 14	Whether the auditor has contemplated to withdraw from the engagement as per Para 13(b)(i) above? If yes, has the auditor before withdrawing communicated to those charged with governance any matters regarding misstatements identified during the audit that would have given rise to a modification of the opinion?		
Para 15	Whether the auditor has concluded that it is necessary to express an adverse opinion or disclaim an opinion on the financial statements as a whole? If yes, has the auditor also included an unmodified opinion with		

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	respect to the same financial reporting framework on a single financial statement or one or more specific elements, accounts or items of a financial statement? [Note: To include such an unmodified opinion in the same report in these circumstances would contradict the auditor's adverse opinion or disclaimer of opinion on the financial statements as a whole. The following are examples of reporting circumstances that would not contradict the auditor's adverse opinion or disclaimer of opinion: • The expression of an unmodified opinion on financial statements prepared under a given financial reporting framework and, within the same report, the expression of an adverse opinion on the same financial statements under a different financial reporting framework. • The expression of a disclaimer of opinion regarding the results of operations, and cash flows, where relevant, and an unmodified opinion regarding the financial position (see SA 510. In this case, the auditor has not expressed a disclaimer of opinion on the financial statements as a whole. (Para A16))		
	Form and Content of the Auditor's Report When the Opinion is Modified		
Para 16	When the auditor modified the audit opinion, whether the auditor use the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion," as appropriate, for the Opinion section?		
Para 17	When auditor has expressed a qualified opinion due to a material misstatement in the financial statements, has the auditor stated in the auditor's opinion, except for the effects of the matter(s) described in the Basis for Qualified Opinion section: (a) When reporting in accordance with a fair presentation framework, the accompanying financial statements present fairly, in all material respects (or give a true and fair view of) [...] in accordance with [the applicable financial reporting framework]; or (b) When reporting in accordance with a compliance framework, the accompanying financial statements have been prepared, in all material respects, in accordance with [the applicable financial reporting framework]? Whether modification arose from an inability to obtain sufficient appropriate audit evidence? If yes, has the auditor used the corresponding phrase "except for the possible effects of the matter(s) ..." for the modified opinion? [Note: When the auditor expresses a qualified opinion, it would not be appropriate to use phrases such as "with the foregoing explanation" or "subject to" in the Opinion section as these are not sufficiently clear or forceful. (Para A20)]		

Para 18	When the auditor expresses an adverse opinion, has the auditor stated in the auditor's opinion, because of the significance of the matter(s) described in the Basis for Adverse Opinion section: (a) When reporting in accordance with a fair presentation framework, the accompanying financial statements do not present fairly (or give a true and fair view of) [...] in accordance with [the applicable financial reporting framework]; or (b) When reporting in accordance with a compliance framework, the accompanying financial statements have not been prepared, in all material respects, in accordance with [the applicable financial reporting framework]?		
Para 19	When the auditor disclaimed an opinion due to an inability to obtain sufficient appropriate audit evidence, has the auditor: (a) Stated that the auditor does not express an opinion on the accompanying financial statements; (b) Stated that, because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements; and (c) Amended the statement required by paragraph 24(b) of SA 700 (Revised), which indicates that the financial statements have been audited, to state that the auditor was engaged to audit the financial statements?		
	Basis for Opinion		
Para 20	When the auditor modifies the opinion on the financial statements, has the auditor in addition to the specific elements required by SA 700 (Revised): (a) Amend the heading "Basis for Opinion" required by paragraph 28 of SA 700 (Revised) to "Basis for Qualified Opinion," "Basis for Adverse Opinion," or "Basis for Disclaimer of Opinion," as appropriate; and (b) Within this section, include a description of the matter giving rise to the modification?		
Para 21	Whether there is a material misstatement of the financial statements that relates to specific amounts in the financial statements (including quantitative disclosures in the notes to the financial statements)? If yes, has the auditor included in the Basis for Opinion section a description and quantification of the financial effects of the misstatement, unless impracticable? [Note: If it is not practicable to quantify the financial effects, the auditor shall so state in this section.]		
Para 22	Whether there is a material misstatement of the financial statements		

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	that relates to narrative disclosures? If yes, has the auditor included in the Basis for Opinion section an explanation of how the disclosures are misstated?		
Para 23	Whether there is a material misstatement of the financial statements that relates to the non-disclosure of information required to be disclosed? If yes, has the auditor: (a) Discussed the non-disclosure with those charged with governance; (b) Described in the Basis for Opinion section the nature of the omitted information; and (c) Unless prohibited by law or regulation, included the omitted disclosures, provided it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information? [Note: Disclosing the omitted information within the Basis for Opinion section would not be practicable if: (a) The disclosures have not been prepared by management or the disclosures are otherwise not readily available to the auditor; or (b) In the auditor's judgment, the disclosures would be unduly voluminous in relation to the auditor's report.(Para A23)]		
Para 24	Whether the modification resulted from an inability to obtain sufficient appropriate audit evidence? If yes, has the auditor included in the Basis for Opinion section the reasons for that inability?		
Para 25	When the auditor expressed a qualified or adverse opinion, has the auditor amended the statement about whether the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion required by paragraph 28(d) of SA 700(Revised) to include the word "qualified" or "adverse", as appropriate?		
Para 26	Whether the auditor disclaimed an opinion on the financial statements? If yes, the auditor shall not include the elements required by paragraphs 28(b) and 28(d) of SA 700 (Revised)? [Note: Those elements are: (a) A reference to the section of the auditor's report where the auditor's responsibilities are described; and (b) A statement about whether the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's		

	opinion.]		
Para 27	Even if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements, has the auditor described in the Basis for Opinion section the reasons for any other matters of which the auditor is aware that would have required a modification to the opinion, and the effects thereof?		
Para 28	When the auditor disclaimed an opinion on the financial statements due to an inability to obtain sufficient appropriate audit evidence, has the auditor amended the description of the auditor's responsibilities required by paragraphs 39–41 of SA 700 (Revised) to include only the following: (a) A statement that the auditor's responsibility is to conduct an audit of the entity's financial statements in accordance with Standards on Auditing and to issue an auditor's report; (b) A statement that, however, because of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements; and (c) The statement about auditor independence and other ethical responsibilities required by paragraph 28(c) of SA 700 (Revised)?		
	Considerations When the Auditor Disclaims an Opinion on the Financial Statements		
Para 29	When the auditor disclaimed an opinion on the financial statements, has the auditor's report included a Key Audit Matters section in accordance with SA 701 or an Other Information section in accordance with SA 720 (Revised)? [Note: Providing the reasons for the auditor's inability to obtain sufficient appropriate audit evidence within the Basis for Disclaimer of Opinion section of the auditor's report provides useful information to users in understanding why the auditor has disclaimed an opinion on the financial statements and may further guard against inappropriate reliance on them. However, communication of any key audit matters other than the matter(s) giving rise to the disclaimer of opinion may suggest that the financial statements as a whole are more credible in relation to those matters than would be appropriate in the circumstances, and would be inconsistent with the disclaimer of opinion on the financial statements as a whole. Similarly, it would not be appropriate to include an Other Information section in accordance with SA 720 (Revised) addressing the auditor's consideration of the consistency of the other information with the financial statements. Accordingly, paragraph 29 of this SA prohibits a Key Audit Matters section or an Other Information section from being included in the		

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	auditor's report when the auditor disclaims an opinion on the financial statements, unless the auditor is otherwise required by law or regulation to communicate key audit matters or to report on other information. (Para A26)]		
	Communication with Those Charged with Governance		
Para 30	When the auditor expects to modify the opinion in the auditor's report, has the auditor communicated with those charged with governance the circumstances that led to the expected modification and the wording of the modification?		

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

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide on Reporting Standards (Revised SA 700, Revised SA 705 and Revised SA 706).

Scope

This Standard on Auditing (SA) deals with additional communication in the auditor's report when the auditor considers it necessary to:

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

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2018.

Objective

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

- (a) A matter, although appropriately presented or disclosed in the financial statements, that is of such importance that it is fundamental to users' understanding of the financial statements; or
- (b) As appropriate, any other matter that is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

Definitions

Emphasis of Matter paragraph – A paragraph included in the auditor's report that refers to a matter appropriately 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.

Other Matter paragraph – A paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
	Emphasis of Matter Paragraphs in the Auditor's Report		
Para 8	Whether the auditor has identified 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? If yes, has the auditor included Emphasis of Matter paragraph in the auditor's report provided: (a) The auditor would not be required to modify the opinion in accordance with SA 705 (Revised) as a result of the matter; and (b) When SA 701 applies, the matter has not been determined to be a key audit matter to be communicated in the auditor's report?		
Para A4, A5	Has the auditor included an Emphasis of Matter paragraph in the auditor's report in following circumstances: • 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). • When there is an uncertainty relating to the future outcome of exceptional litigation or regulatory action. • When a significant subsequent event occurred between the date of the financial statements and the date of the auditor's report. • When there is early application (where permitted) of a new accounting standard that has a material effect on the financial statements. • When there is a major catastrophe that has had, or continues to have, a significant effect on the entity's financial position?		
Para 9	When the auditor includes an Emphasis of Matter paragraph in the auditor's report, has the auditor: (a) Included the paragraph within a separate section of the auditor's report with an appropriate heading that includes the term "Emphasis of Matter"; (b) Included in the paragraph a clear reference to the matter being emphasized and to where relevant disclosures that fully describe		

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	the matter can be found in the financial statements. The paragraph shall refer only to information presented or disclosed in the financial statements; and (c) Indicated that the auditor's opinion is not modified in respect of the matter emphasized? [Note: The inclusion of an Emphasis of Matter paragraph in the auditor's report does not affect the auditor's opinion. An Emphasis of Matter paragraph is not a substitute for: (a) A modified opinion in accordance with SA 705 (Revised) when required by the circumstances of a specific audit engagement; (b) Disclosures in the financial statements that the applicable financial reporting framework requires management to make, or that are otherwise necessary to achieve fair presentation; or (c) Reporting in accordance with SA 570 (Revised) when a material uncertainty exists relating to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern. (Para A7)]		
	Other Matter Paragraphs in the Auditor's Report		
Para 10	Whether the auditor ascertained any matter other than those that are presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report? If yes, has the auditor included an Other Matter Paragraph in the auditor's report provided: (a) This is not prohibited by law or regulation; and (b) When SA 701 applies, the matter has not been determined to be a key audit matter to be communicated in the auditor's report? [Note: An Other Matter paragraph does not deal with circumstances where the auditor has other reporting responsibilities that are in addition to the auditor's responsibility under the SAs (see Other Reporting Responsibilities section in SA 700 (Revised)), or where the auditor has been asked to perform and report on additional specified procedures, or to express an opinion on specific matters. (Para A12) Financial statements prepared for a specific purpose may be prepared in accordance with a general purpose framework because the intended users have determined that such general purpose financial statements meet their financial information needs. Since the auditor's report is intended for specific users, the auditor may consider it necessary in the circumstances to include an Other Matter paragraph, stating that the auditor's report is intended solely for the intended users, and should not be distributed to or used by other parties. (Para A14)]		
Para A13	Whether the entity prepared one set of financial statements in accordance with a general purpose framework (e.g. the national framework) and another set of financial statements in accordance with another general purpose framework (e.g., International Financial		

	Reporting Standards), and engaged the auditor to report on both sets of financial statements? If yes, has the auditor: (a) Determined whether the frameworks are acceptable in the respective circumstances? (b) Included an Other Matter Paragraph in the auditor's report, referring to the fact that another set of financial statements has been prepared by the same entity in accordance with another general purpose framework and that the auditor has issued a report on those financial statements?		
Para 11	When the auditor included an Other Matter paragraph in the auditor's report, has the auditor included the paragraph within a separate section with the heading "Other Matter," or other appropriate heading? [Note: The placement of an Emphasis of Matter paragraph or Other Matter paragraph in the auditor's report depends on the nature of the information to be communicated, and the auditor's judgment as to the relative significance of such information to intended users compared to other elements required to be reported in accordance with SA 700 (Revised). For example: Emphasis of Matter Paragraphs • When the Emphasis of Matter paragraph relates to the applicable financial reporting framework, including circumstances where the auditor determines that the financial reporting framework prescribed by law or regulation would otherwise be unacceptable, the auditor may consider it necessary to place the paragraph immediately following the Basis for Opinion section to provide appropriate context to the auditor's opinion. • When a Key Audit Matters section is presented in the auditor's report, an Emphasis of Matter paragraph may be presented either directly before or after the Key Audit Matters section, based on the auditor's judgment as to the relative significance of the information included in the Emphasis of Matter paragraph. The auditor may also add further context to the heading "Emphasis of Matter", such as "Emphasis of Matter – Subsequent Event", to differentiate the Emphasis of Matter paragraph from the individual matters described in the Key Audit Matters section. Other Matter Paragraphs • When a Key Audit Matters section is presented in the auditor's report and an Other Matter paragraph is also considered necessary, the auditor may add further context to the heading "Other Matter", such as "Other Matter – Scope of the Audit", to differentiate the Other Matter paragraph from the individual matters described in the Key Audit Matters section. • When an Other Matter paragraph is included to draw users' attention to a matter relating to Other Reporting Responsibilities addressed in the auditor's report, the paragraph may be included in		

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	the Report on Other Legal and Regulatory Requirements section. • When relevant to all the auditor's responsibilities or users' understanding of the auditor's report, the Other Matter paragraph may be included as a separate section following the Report on the Audit of the Financial Statements and the Report on Other Legal and Regulatory Requirements. (Para A16)]		
	Communication with Those Charged with Governance		
Para 12	When auditor expects to include an Emphasis of Matter or an Other Matter paragraph in the auditor's report, has the auditor communicated with those charged with governance regarding this expectation and the wording of this paragraph?		

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

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with the auditor's responsibilities regarding comparative information in an audit of financial statements. When the financial statements of the prior period have been audited by a predecessor auditor or were not audited, the requirements and guidance in SA 510 regarding opening balances also apply.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2011.

Objectives

The objectives of the auditor are:

- a) To obtain sufficient appropriate audit evidence about whether the comparative information included in the financial statements has been presented, in all material respects, in accordance with the requirements for comparative information in the applicable financial reporting framework; and
- b) To report in accordance with the auditor's reporting responsibilities.

Definitions

For purposes of the SAs, the following terms have the meanings attributed below:

Comparative information – The amounts and disclosures included in the financial statements in respect of one or more prior periods in accordance with the applicable financial reporting framework.

Corresponding figures – Comparative information where amounts and other disclosures for the prior period are included as an integral part of the current period financial statements and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as “current period figures”). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures.

Comparative financial statements – Comparative information where amounts and other disclosures for the prior period are included for comparison with the financial statements of the current period but, if audited, are referred to in the auditor's opinion. The level of information included in those comparative financial statements is comparable with that of the financial statements of the current period.

For purposes of this SA, references to “prior period” should be read as “prior periods” when the comparative information includes amounts and disclosures for more than one period.

Para No.	Particulars	Response [Yes, No, NA] <i>(give comments wherever required)</i>	WP Reference
	Audit Procedures		
Para 7, 8, 9	For the purpose of determining whether the financial statements include the comparative information required by the applicable financial reporting framework and whether such information is appropriately classified, has the auditor evaluated the following: (a) The comparative information agrees with the amounts and other disclosures presented in the prior period; and (b) The accounting policies reflected in the comparative information are consistent with those applied in the current period or, if there have been changes in accounting policies, whether those changes have been properly accounted for and adequately presented and disclosed? Has the auditor become aware of a possible material misstatement in the comparative information while performing the current period audit? If yes, has the auditor performed such additional audit procedures as are necessary in the circumstances to obtain sufficient appropriate audit evidence to determine whether a material misstatement exists? [Note: If the auditor had audited the prior period's financial statements, the auditor shall also follow the relevant requirements of SA 560.] Has the auditor done the following as required by SA 580: • Requested written representations for all periods referred to in the auditor's opinion • Obtained a specific written representation regarding any prior period item that is separately disclosed in the current year's statement of profit and loss? [Note: In the case of comparative financial statements, the written representations are requested for all periods referred to in the auditor's opinion because management needs to re-affirm that the written representations it previously made with respect to the prior period remain appropriate. In the case of corresponding figures, the written representations are requested for the financial statements of the current period only because the auditor's opinion is on those financial statements, which include the corresponding figures. However, the auditor requests a specific written representation regarding any prior period item that is separately disclosed in the current year's statement of profit and loss. (Para A1)]		

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	Audit Reporting		
	Corresponding Figures		
Para 11	[Note: When corresponding figures are presented, the auditor's opinion shall not refer to the corresponding figures except in the circumstances described in paragraphs 11, 12, and 14 because the auditor's opinion is on the current period financial statements as a whole, including the corresponding figures. (Para 10 and Para A2)] Has the auditor come across the situation where the previously issued auditor's report included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modification is unresolved? If yes, (a) Has the auditor modified the auditor's opinion on the current period's financial statements; and (b) In the Basis for Modification paragraph in the auditor's report, has the auditor done either of below: (i) Referred to both the current period's figures and the corresponding figures in the description of the matter giving rise to the modification when the effects or possible effects of the matter on the current period's figures are material; or (ii) In other cases, explained that the audit opinion has been modified because of the effects or possible effects of the unresolved matter on the comparability of the current period's figures and the corresponding figures? [Note: When the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modified opinion is resolved and properly accounted for or disclosed in the financial statements in accordance with the applicable financial reporting framework, the auditor's opinion on the current period need not refer to the previous modification. (Para A3)] [Note: When the auditor's opinion on the prior period, as previously expressed, was modified, the unresolved matter that gave rise to the modification may not be relevant to the current period figures. Nevertheless, a qualified opinion, a disclaimer of opinion, or an adverse opinion (as applicable) may be required on the current period's financial statements because of the effects or possible effects of the unresolved matter on the comparability of the current and corresponding figures.(Para A4)]		
Para 12	Has the auditor come across the situation where auditor obtained evidence that a material misstatement exists in the prior period financial statements on which an unmodified opinion has been previously issued?		

	If yes, has the auditor verified that the misstatement has been dealt with as required under the applicable financial reporting framework? If the misstatement has not been dealt with as above, has the auditor expressed a qualified opinion or adverse opinion in the auditor's report on the current period financial statements, modified with respect to corresponding figures included therein? [Note: When the prior period financial statements that are misstated have not been amended and an auditor's report thereon has not been issued in accordance with the requirements of SA 560, but the corresponding figures have been properly dealt with as required under the applicable financial reporting framework and the appropriate disclosures have been made in the current period financial statements, the auditor's report may include an Emphasis of Matter paragraph describing the circumstances and referring to, where relevant, disclosures that fully describe the matter that can be found in the financial statements. (Para A6)]		
Para 13, 14	Has the auditor come across the situation where the financial statements of the prior period were audited by a predecessor auditor and the auditor is permitted by law or regulation to refer to the predecessor auditor's report on the corresponding figures and the auditor decides to do so? If yes, has the auditor stated in an Other Matter paragraph in the auditor's report the following: (a) That the financial statements of the prior period were audited by the predecessor auditor; (b) The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and (c) The date of that report? If the prior period financial statements were not audited, has the auditor stated in an Other Matter paragraph in the auditor's report that the corresponding figures are unaudited? [Note: Such a statement does not, however, relieve the auditor of the requirement to obtain sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements.] [Note: Where prior period financial statements were not audited, the auditor should request the management to disclose this fact on the face of the current period financial statements with respect to the corresponding figures. (Para A7a)] [Note: If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor is required by SA 705 (Revised) to express a qualified opinion or disclaim an opinion on the financial statements, as appropriate. If the auditor encountered significant difficulty in obtaining sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially		

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	affect the current period's financial statements, the auditor may determine this to be a key audit matter in accordance with SA 701. (Para A8)]		
	Comparative Financial Statements		
Para 15, 16	When comparative financial statements are presented, whether the auditor's opinion refers to each period for which financial statements are presented and on which an audit opinion is expressed? [Note: Because the auditor's report on comparative financial statements applies to the financial statements for each of the periods presented, the auditor may express a qualified opinion or an adverse opinion, disclaim an opinion, or include an Emphasis of Matter paragraph with respect to one or more periods, while expressing a different auditor's opinion on the financial statements of the other period. (Para A9)] When reporting on prior period financial statements in connection with the current period's audit, has the auditor come across a situation where the auditor's opinion on such prior period financial statements differs from the opinion the auditor previously expressed? If yes, has the auditor disclosed the substantive reasons for the different opinion in an Other Matter paragraph in accordance with SA 706 (Revised)? [Note: The above situation may arise if the auditor becomes aware of the circumstances or events that materially affect the financial statements of a prior period during the course of the audit of the current period. In some circumstances, the auditor may have additional reporting responsibilities designed to prevent future reliance on the auditor's previously issued report on the prior period financial statements. (Para A11)]		
Para 17, 18, 19	If the financial statements of the prior period were audited by a predecessor auditor, has the auditor, in addition to expressing an opinion on the current period's financial statements, stated the following in an Other Matter paragraph: (a) That the financial statements of the prior period were audited by a predecessor auditor; (b) The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and (c) The date of that report, unless the predecessor auditor's report on the prior period's financial statements is revised with the financial statements? Has the auditor come across a situation where the auditor concludes that a material misstatement exists that affects the prior period financial statements on which the predecessor auditor had previously reported without modification? If yes, has the auditor communicated the misstatement with the		

	appropriate level of management and those charged with governance and requested that the predecessor auditor be informed? [Note: If the prior period financial statements are amended, and the predecessor auditor agrees to issue a new auditor's report on the amended financial statements of the prior period, the auditor shall report only on the current period.] [Note: The predecessor auditor may be unable or unwilling to revise the auditor's report on the prior period financial statements. An Other Matter paragraph of the auditor's report may indicate that the predecessor auditor reported on the financial statements of the prior period before amendment. In addition, if the auditor is engaged to audit and obtains sufficient appropriate audit evidence to be satisfied as to the appropriateness of the amendment, the auditor's report may also include the following paragraph: "As part of our audit of the 20X2 financial statements, we also audited the adjustments described in Note X that were applied to amend the 20X1 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 20X1 financial statements of the company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 20X1 financial statements taken as a whole". (Para A12)] Has the auditor come across a situation where the prior period financial statements were not audited? If yes, has the auditor stated in an Other Matter paragraph that the comparative financial statements are unaudited? [Note: Such a statement does not, however, relieve the auditor of the requirement to obtain sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements.] [Note: If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor is required by SA 705 (Revised) to express a qualified opinion or disclaim an opinion on the financial statements, as appropriate. If the auditor encountered significant difficulty in obtaining sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements, the auditor may determine this to be a key audit matter in accordance with SA 701. (Para A13)]		
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SA 720 (Revised), The Auditor's Responsibilities Relating to Other Information

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on Auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the working papers.

Reviewed by	Manager*	Partner
Date		

*Wherever applicable

Note: Please refer to the Implementation Guide to SA 720(Revised), “The Auditor’s Responsibilities Relating to Other Information”.

Scope

This Standard on Auditing (SA) deals with the auditor's responsibilities relating to other information, whether financial or non-financial information (other than financial statements and the auditor's report thereon), included in an entity's annual report. An entity's annual report may be a single document or a combination of documents that serve the same purpose.

This SA is written in the context of an audit of financial statements by an independent auditor. Accordingly, the objectives of the auditor in this SA and the requirements in the SAs are designed to enable the auditor to achieve the objectives specified in the SAs, and thereby the overall objectives of the auditor as stated in para 11 of SA 200. The auditor's opinion on the financial statements does not cover the other information, nor does this SA require the auditor to obtain audit evidence beyond that required to form an opinion on the financial statements.

This SA requires the auditor to read and consider the other information because other information that is materially inconsistent with the financial statements or the auditor's knowledge obtained in the audit may indicate that there is a material misstatement of the financial statements or that a material misstatement of the other information exists, either of which may undermine the credibility of the financial statements and the auditor's report thereon. Such material misstatements may also inappropriately influence the economic decisions of the users for whom the auditor's report is prepared.

This SA does not apply to:

- a) Preliminary announcements of financial information; or
- b) Securities offering documents, including prospectuses.

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

Law or regulation may impose additional obligations on the auditor in relation to other information that are beyond the scope of this SA.

Effective Date

This SA is effective for audits of financial statements for periods beginning on or after April 1, 2018.

Objectives

The objectives of the auditor, having read the other information, are:

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

Definitions

For purposes of the SAs, the following terms have the meanings attributed below:

Annual Report – A document, or combination of documents (Management report, Chairman’s statement, Corporate governance statement/ report), prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the entity’s financial results and financial position as set out in the financial statements. An annual report contains or accompanies the financial statements and the auditor’s report thereon and usually includes information about the entity’s developments, its future outlook and risks and uncertainties, a statement by the entity’s governing body, and reports covering governance matters. (When the financial statements being audited are prepared for a period less than or more than a year, an annual report may also be prepared that covers the same period as the financial statements.)

Misstatement of the other information – A misstatement of the other information exists when the other information is incorrectly stated or otherwise misleading (including because it omits or obscures information necessary for a proper understanding of a matter disclosed in the other information).

Other information – Financial or non-financial information (other than financial statements and the auditor’s report thereon) included in an entity’s annual report.

Para No.	Particulars	Response [Yes, No, NA] (give comments wherever required)	WP Reference
	Obtaining the Other Information		
Para 13	Has the auditor done the following: (a) Determined, through discussion with management, which document(s) comprises the annual report, and the entity's planned manner and timing of the issuance of such document(s); (b) Made appropriate arrangements with management to obtain in a timely manner and, if possible, prior to the date of the auditor's report, the final version of the document(s) comprising the annual report; and (c) When some or all of the document(s) determined in (a) above, will not be available until after the date of the auditor's report, request management to provide a written representation that the final version of the document(s) will be provided to the auditor when available, and prior to its issuance by the entity, such that the auditor can complete the procedures required by this SA? [Note: When the annual report is translated into other languages pursuant to law or regulation, consideration may need to be given as to whether one, or more than one of the "annual reports" form part of the other information. Local law or regulation may provide further guidance in this respect. (Para A12)] [Note: The auditor may communicate the following with management or those charged with governance, who is responsible for preparing the annual report: - The auditor's expectations in relation to obtaining the final version of the annual report in a timely manner prior to the date of the auditor's report such that the auditor can complete the procedures required by this SA before the date of the auditor's report, or if that is not possible, as soon as practicable and in any case prior to the entity's issuance of such information. - The possible implications when the other information is obtained after the date of the auditor's report.(Para A13)] [Note: The communications referred to in para A13 may be particularly appropriate for initial audit engagement or where there has been a change in management or those charged with governance or when other information is expected to be obtained after the date of auditor's report. (Para A14)] [Note: In the case where the entity is considering development of a document at the date of auditor's report, that may be part of entity's		

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	annual report but management is unable to confirm to the auditor the purpose or timing of such a document. If auditor is unable to ascertain the purpose or timing of such a document, the document is not considered other information for purpose of this SA. (Para A17)] [Note: Obtaining the other information in a timely manner prior to the date of the auditor's report enables any necessary revisions to be made to the financial statements, the auditor's report, or the other information prior to their issuance. The audit engagement letter may make reference to an agreement with management to make available to the auditor the other information in a timely manner, and if possible prior to the date of the auditor's report. (Para A18)] [Note: When other information is only made available to users via the entity's website, the version of the other information obtained from the entity, rather than directly from the entity's website, is the relevant document on which the auditor would perform procedures in accordance with this SA. The auditor has no responsibility under this SA to search for other information, including other information that may be on the entity's website, nor to perform any procedures to confirm that other information is appropriately displayed on the entity's website or otherwise has been appropriately transmitted or displayed electronically. (Para A19)] [Note: The auditor is not precluded from dating or issuing the auditor's report if the auditor has not obtained some or all of the other information. (Para A20)] [Note: When the other information is obtained after the date of the auditor's report, the auditor is not required to update the procedures performed in accordance with para 6 and 7 of SA 560. (Para A21)] [Note: As per guidelines of SA 580, the written representation required to be requested by paragraph 13(c) above regarding other information that will be available only after the date of the auditor's report is intended to support the auditor's ability to complete the procedures required by this SA with respect to such information. In addition, the auditor may find it useful to request other written representations, for example, that: • Management has informed the auditor of all the documents that it expects to issue that may comprise other information; • The financial statements and any other information obtained by the auditor prior to the date of the auditor's report are consistent with one another, and the other information does not contain any material misstatements; and • With regard to other information that has not been obtained by the auditor prior to the date of the auditor's report, that management intends to prepare and issue such other information and the expected timing of such issuance. (Para A22)]		
	Reading and Considering the Other Information		

Para 14, 15	In reading the other information, has the auditor: a) Considered whether there is a material inconsistency between the other information and the financial statements. As the basis for this consideration, has the auditor, to evaluate their consistency, compared selected amounts or other items in the other information (that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements) with such amounts or other items in the financial statements; and b) Considered whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit, in the context of audit evidence obtained and conclusions reached in the audit? While reading the other information, has the auditor came across indications of whether the other information not related to the financial statements or the auditor's knowledge obtained in the audit appears to be materially misstated? [Note: In evaluating the consistency of selected amounts or other items in the other information with the financial statements, the auditor is not required to compare all amounts or other items in the other information.(Para A26)] [Note: Selecting the amounts or other items to compare is a matter of professional judgment. Factors relevant to this judgment include: • The significance of the amount or other item in the context in which it is presented, which may affect the importance that users would attach to the amount or other item (for example, a key ratio or amount) • If quantitative, the relative size of the amount compared with accounts or items in the financial statements or the other information to which they relate. • The sensitivity of the particular amount or other item in the other information, for example, share based payments for senior management. (Para A27)] [Note: Determining the nature and extent of procedures to address the concern of materially inconsistent information (para 14(a)) is a matter of professional judgment, recognizing that the auditor's responsibilities under this SA do not constitute an assurance engagement on the other information or impose an obligation to obtain assurance about the other information. Examples of such procedures include: • For information that is intended to be the same as information in the financial statements, comparing the information to the financial statements. • For information intended to convey the same meaning as disclosures in the financial statements, comparing the words used		
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	and considering the significance of differences in wording used and whether such differences imply different meanings. • Obtaining a reconciliation between an amount within the other information and the financial statements from management and: ○ Comparing items in the reconciliation to the financial statements and the other information; and ○ Checking whether the calculations within the reconciliation are arithmetically accurate. (Para A28)] [Note: In considering whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit, the auditor may focus on those matters in the other information that are of sufficient importance that a misstatement of the other information in relation to that matter could be material.(Para A33)] [Note: Remaining alert for other indications that the other information appears to be materially misstated could potentially result in the auditor identifying such matters as: • Differences between the other information and the general knowledge, apart from the knowledge obtained in the audit, of the engagement team member reading the other information that lead the auditor to believe that the other information appears to be materially misstated; or • An internal inconsistency in the other information that leads the auditor to believe that the other information appears to be materially misstated. (Para A38)]		
	Responding When a Material Inconsistency Appears to Exist or Other Information Appears to Be Materially Misstated		
Para 16	Has the auditor identified that a material inconsistency appears to exist or whether the auditor becomes aware that the other information appears to be materially misstated? If yes, a) has the auditor discussed the matter with the management; and b) if necessary, performed other procedures to conclude whether: ○ A material misstatement of the other information exists; ○ A material misstatement of the financial statements exists; or ○ The auditor's understanding of the entity and its environment needs to be updated? [Note: The auditor's discussion with management about a material inconsistency (or other information that appears to be materially misstated) may include requesting management to provide support for the basis of management's statements in the other information. Based on management's further information or explanations, the auditor may be satisfied that the other information is not materially misstated. For		

	example, management explanations may indicate reasonable and sufficient grounds for valid differences of judgment. (Para A39) Conversely, the discussion with management may provide further information that supports the auditor's conclusion that a material misstatement of the other information exists. (Para A40)] [Note: It may be more difficult for the auditor to challenge management on matters of judgment than on those of a more factual nature. However, there may be circumstances where the auditor concludes that the other information contains a statement that is not consistent with the financial statements or the auditor's knowledge obtained in the audit. These circumstances may raise doubt about the other information, the financial statements, or the auditor's knowledge obtained in the audit. (Para A41)] [Note: As there is a wide range of possible material misstatements of the other information, the nature and extent of other procedures the auditor may perform to conclude whether a material misstatement of the other information exists are matters of the auditor's professional judgment in the circumstances. (Para A42)] [Note: When the auditor is unable to conclude that a material inconsistency no longer appears to exist or that the other information no longer appears to be materially misstated, the auditor may request management to consult with a qualified third party (for example, a management's expert or legal counsel). In certain cases, after considering the responses from management's consultation, the auditor may not be able to conclude whether or not a material misstatement of the other information exists. Actions the auditor may then take include one or more of the following: • Obtaining advice from the auditor's legal counsel; • Considering the implications for the auditor's report for example, whether to describe the circumstances when there is a limitation imposed by management; or • Withdrawing from the audit, where withdrawal is possible under applicable law or regulation. (Para A43)]		
	Responding When the Auditor Concludes That a Material Misstatement of the Other Information Exists		
Para 17, 18, 19	Has the auditor concluded that a material misstatement of the other information exists? If yes, has the auditor requested the management to correct the other information? If a material misstatement in other information exists and the auditor has requested the management to correct the other information, has the management agreed to make the correction? If yes, has the auditor determined that the correction has been made? If no, has the auditor communicated the matter with those charged		

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	with governance and requested the correction to be made? If the auditor concludes that a material misstatement exists in other information obtained prior to the date of auditor's report and other information is not corrected after communicating with those charged with governance, has the auditor taken an appropriate action from below: a) Considering the implications for the auditor's report and communicating with those charged with governance about how the auditor plans to address the material misstatement in the auditor's report; or b) Withdrawing from the engagement, where withdrawal is possible under applicable law or regulation? [Note: The auditor may use professional judgement and take into account whether the rationale given by management and those charged with governance for not making the correction raises doubt about the integrity or honesty of management or those charged with governance, such as when the auditor suspects an intention to mislead. The auditor may also consider it appropriate to seek legal advice. In some cases, the auditor may be required by law, regulation or the professional standards to communicate the matter to a regulator. (Para A44)] [Note: In rare circumstances, a disclaimer of opinion on the financial statements may be appropriate when the refusal to correct the material misstatement of the other information casts such doubt on the integrity of management and those charged with governance as to call into question the reliability of audit evidence in general.(Para A45)] [Note: Withdrawal from the engagement, where withdrawal is possible under applicable law or regulation, may be appropriate when the circumstances surrounding the refusal to correct the material misstatement of the other information cast such doubt on the integrity of management and those charged with governance as to call into question the reliability of representations obtained from them during the audit. (Para A46)] If the auditor concludes that a material misstatement exists in other information obtained after the date of the auditor's report, has the auditor: a) if the other information is corrected, performed the procedures necessary in the circumstances; or b) if the other information is not corrected after communicating with those charged with governance, taken appropriate action considering the auditor's legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom the auditor's report is prepared? [Note: When a material misstatement of the other information remains uncorrected, appropriate actions that the auditor may take to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom the auditor's report is prepared, when		
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	permitted by law or regulation, include, for example: • Providing a new or amended auditor's report to management including a modified section in accordance with paragraph 22, and requesting management to provide this new or amended auditor's report to users for whom the auditor's report is prepared and reviewing the steps taken by management to provide the new or amended auditor's report to such users; • Bringing the material misstatement of the other information to the attention of the appointing authority (for example, by addressing the matter in a general meeting of shareholders); • Communicating with the regulator where required by applicable law or regulation about the uncorrected material misstatement; or • Considering the implications for engagement continuance. (Para A50)]		
	Responding When a Material Misstatement in the Financial Statements Exists or the Auditor's Understanding of the Entity and Its Environment Needs to Be Updated		
Para 20,A51	Has the auditor concluded that a material misstatement in the financial statements exist, or the auditor's understanding of the entity and its environment needs to be updated after performing procedures stated above in Para 14 and 15? If yes, has the auditor responded appropriately in accordance with the other SAs? In reading the other information, has the auditor become aware of new information that has implications for: • The auditor's understanding of the entity and its environment and, accordingly, may indicate the need to revise the auditor's risk assessment. • The auditor's responsibility to evaluate the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements. • The auditor's responsibilities relating to subsequent events?		
	Reporting		
Para 21, 22, 23	Has the auditor included a separate section in auditor's report with a heading "Other Information", or other appropriate heading, when, at the date of the auditor's report: a) For an audit of financial statements of a listed entity, the auditor has obtained, or expects to obtain, the other information; or b) For an audit of financial statements of an unlisted corporate entity, the auditor has obtained some or all of the other information? Whether the Other Information section included in auditor's report		

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	include following: a) A statement that management is responsible for the other information; b) An identification of: i) Other information, if any, obtained by the auditor prior to the date of the auditor's report; and ii) For an audit of financial statements of a listed entity, other information, if any, expected to be obtained after the date of the auditor's report; c) A statement that the auditor's opinion does not cover the other information and, accordingly, that the auditor does not express (or will not express) an audit opinion or any form of assurance conclusion thereon; d) A description of the auditor's responsibilities relating to reading, considering and reporting on other information as required by this SA; and e) When other information has been obtained prior to the date of the auditor's report, either: i) A statement that the auditor has nothing to report; or ii) If the auditor has concluded that there is an uncorrected material misstatement of the other information, a statement that describes the uncorrected material misstatement of the other information? Whether the auditor expressed a qualified or adverse opinion in accordance with SA 705 (Revised)? If yes, has the auditor considered implications of the matter giving rise to the modification of opinion for the statement required in para 22(e)? <i>Impact on the Statement required by paragraph 22(e) above in case of different Audit Opinions:</i> <i>Qualified or Adverse Opinion</i> [Note: A qualified or adverse auditor's opinion on the financial statements may not have an impact on the statement required by paragraph 22(e) if the matter in respect of which the auditor's opinion has been modified is not included or otherwise addressed in the other information and the matter does not affect any part of the other information. (Para A54)] <i>Qualified Opinion Due to a Material Misstatement in the Financial Statements</i> [Note: In circumstances when the auditor's opinion is qualified, consideration may be given as to whether the other information is also materially misstated for the same matter as, or a related matter to, the matter giving rise to the qualified opinion on the financial statements. (Para A55)] <i>Qualified Opinion Due to Limitation of Scope</i>		
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	[Note: When there is a limitation of scope with respect to a material item in the financial statements, the auditor will not have obtained sufficient appropriate audit evidence about that matter. In these circumstances, the auditor may be unable to conclude whether or not the amounts or other items in the other information related to this matter result in a material misstatement of the other information. Accordingly, the auditor may need to modify the statement required by paragraph 22(e) to refer to the auditor's inability to consider management's description of the matter in the other information in respect of which the auditor's opinion on the financial statements has been qualified as explained in the Basis for Qualified Opinion paragraph. The auditor is nevertheless required to report any other uncorrected material misstatements of the other information that have been identified. (Para A56)] <i>Adverse Opinion</i> [Note: An adverse opinion on the financial statements relating to a specific matter(s) described in the Basis for Adverse Opinion paragraph does not justify the omission of reporting of material misstatements of the other information that the auditor has identified in the auditor's report in accordance with paragraph 22(e)(ii). When an adverse opinion has been expressed on the financial statements, the auditor may need to appropriately modify the statement required by paragraph 22(e). (Para A57)] <i>Disclaimer of Opinion</i> [Note: When the auditor disclaims an opinion on the financial statements, providing further details about the audit, including a section to address other information may overshadow the disclaimer of opinion on the financial statements as a whole. Accordingly, in those circumstances, as required by SA 705 (Revised), the auditor's report does not include a section addressing the reporting requirements under this SA. (Para A58)]		
	Reporting Prescribed by Law or Regulation		
Para 24	Is the auditor required by a relevant law or regulation to refer to the other information in the auditor's report using a specific layout or wording? If yes, to refer to Standards on Auditing, does the auditor's report includes, at a minimum: a) Identification of the other information obtained by the auditor prior to the date of the auditor's report; b) A description of the auditor's responsibilities with respect to the other information; and c) An explicit statement addressing the outcome of the auditor's work for this purpose? [Note: When the differences between the legal or regulatory requirements to report with respect to the other information and this		

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	SA relate only to the layout and wording in the auditor's report and, at a minimum, each of the elements identified in paragraph 24 above, is included in the auditor's report, the auditor's report may refer to Standards on Auditing. Accordingly, in such circumstances the auditor is considered to have complied with the requirements of this SA, even when the layout and wording used in the auditor's report are specified by legal or regulatory reporting requirements. (Para A59)]		
	Documentation		
Para 25	Does the audit documentation include the following? a) Documentation of the procedures performed under this SA; and b) The final version of the other information on which the auditor has performed the work required under this SA?		

SA 800, Special considerations - Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard on Auditing ('SA') have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the audit working papers.

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) deals with special considerations in the application of SAs (100-700) that apply to an audit of financial statements prepared in accordance with a special purpose framework.

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

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

Effective date

This SA is effective for audit of financial statements for period beginning on or after 1 April, 2011.

Objective

The objective of the auditor, when applying SAs in an audit of financial statements prepared in accordance with a special purpose framework, is to address appropriately the special considerations that are relevant to:

- (a) The acceptance of the engagement;
- (b) The planning and performance of that engagement; and
- (c) Forming an opinion and reporting on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Definitions

Special purpose financial statements – Financial statements prepared in accordance with a special purpose framework.

The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine the form and content of the financial statements, and what constitutes a complete set of financial statements.

Special purpose framework – A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework

Examples of special purpose frameworks are:

- The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors;
- The Financial reporting provisions established by a regulator to meet the requirements of that regulator; or
- The Financial reporting provisions of a contract, such as a bond indenture, a loan agreement, or a project grant.

Financial statements prepared for filing with income tax authorities are considered to be general purpose financial statements and as per the announcement issued under the authority of the Council of the

Institute of Chartered Accountants of India (ICAI) in August, 1994, the mandatory accounting standards should also be applied in respect of financial statements audited under section 44AB of the Income Tax Act, 1961.

There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorized or recognized standard setting organization or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires financial statements to be prepared in accordance with most, but not all, of the Financial reporting Standards of Jurisdiction X. When this is acceptable in the circumstances of the engagement, it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial statements to imply full compliance with the financial reporting framework established by the authorized or recognized standards setting organization or by law or regulation. In the above example of the contract, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract, rather than make any reference to the Financial reporting Standards of Jurisdiction X.

In the circumstances described above, the special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorized or recognized standards setting organization or by law or regulation that are necessary to achieve fair presentation of the financial statements.

Financial statements prepared in accordance with a special purpose framework may be the only financial statements an entity prepares. In such circumstances, those financial statements may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial statements in those circumstances, the financial statements are still considered to be special purpose financial statements for purposes of the SAs. The reporting requirements of the standard are designed to avoid misunderstandings about the purpose for which the financial statements are prepared.

Checklist on Standards on Auditing

Para No.	Particulars	Response [Yes, No, NA] <i>(give comments wherever required)</i>	WP Reference
Considerations When Accepting the Engagement			
Para 8	Acceptability of the Financial Reporting Framework For the purposes of determining the acceptability of the financial reporting framework in conducting an audit of special purpose financial statements, has the auditor obtained an understanding of: a) the purpose for which the financial statements are prepared? b) the intended users; and c) the steps taken by the management to determine the applicable financial reporting framework is acceptable? In the case of special purpose financial statements, the financial information needs of the intended users are a key factor in determining the acceptability of the financial reporting framework applied in the preparation of the financial statements. (Para A5) [Note: The applicable financial reporting framework may encompass the Financial reporting standards established by an organization that is authorized or recognized to promulgate standards for special purpose financial statements. In that case, those standards will be presumed acceptable for that purpose if the organization follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. Some law(s) or regulation(s) may prescribe the financial reporting framework to be used by management in the preparation of special purpose financial statements for a certain type of entity. For example, a regulator may establish Financial reporting provisions to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed acceptable for special purpose financial statements prepared by such entity. (Para A6)] Further, where such Financial reporting standards are supplemented by legislative or regulatory requirements, SA 210, should be followed to determine whether any conflicts between the Financial reporting standards and the additional requirements exist and the prescribed actions to be taken in such a situation? (Para A7) [Note: The applicable financial reporting framework may encompass the Financial reporting provisions of a contract, or sources other than those described in paragraphs above. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 of SA 210. In the case of a		

	special purpose framework, the relative importance to a particular engagement of each of the attributes normally exhibited by acceptable financial reporting frameworks is a matter of professional judgment. For example, for purposes of establishing the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable are appropriate for their needs, even though such financial information is not neutral when compared with financial information prepared in accordance with a general purpose framework. (Para A8)]		
Considerations when Planning and Performing the Audit			
Para 9	In planning and performing an audit of special purpose financial statements, has the auditor determined if there are any SAs that require special considerations in circumstances of the engagement? Has the auditor determined materiality for planning and performing the audit of special purpose financial statements determined in accordance with SA 320? [Note: SA 200 requires an auditor to comply with relevant ethical requirements, including those pertaining to independence, relating to financial statements audit engagements and all SAs relevant to the audit. It also requires the auditor to comply with each requirement of an SA unless, in the circumstances of the audit, the entire SA is not relevant or the requirement is not relevant because it is conditional and the condition does not exist. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an SA by performing alternative audit procedures to achieve the aim of that requirement. (Para A9)] [Note: Application of some of the requirements of the SAs in an audit of special purpose financial statements may require special consideration by the auditor. For example, in SA 320, judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. In the case of an audit of special purpose financial statements, however, those judgments are based on a consideration of the financial information needs of the intended users. (Para A10)] [Note: In the case of special purpose financial statements, such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. The existence of such a threshold does not relieve the auditor from the requirement to determine materiality in accordance with SA 320 for purposes of planning and performing the audit of the special purpose financial statements. (Para A11)] [Note: Communication with those charged with governance in accordance with SAs is based on the relationship between those charged with governance and the financial statements subject to audit,		

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	in particular, whether TCWG are responsible for overseeing the preparation of those financial statements. In the case of special purpose financial statements, those charged with governance may not have such a responsibility; for example, when the financial information is prepared solely for management's use. In such cases, the requirements of SA 260 (Revised) may not be relevant to the audit of the special purpose financial statements, except when the auditor is also responsible for the audit of the entity's general purpose financial statements or, for example, has agreed with those charged with governance of the entity to communicate to them relevant matters identified during the audit of the special purpose financial statements (Para A12)]		
Para 10	In the case of financial statements prepared in accordance with the provisions of a contract, has the auditor obtained an understanding of significant interpretations of the contract that management made in the preparation of those financial statements? [Note: An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the financial statements.]		
Forming an Opinion and Reporting Considerations			
Para 11	Has the auditor applied the requirements of SA 700 (Revised) when forming an opinion and reporting on special purpose financial statements? [Note: Auditor can refer to SA 700 (Revised) for detailed guidance and the appendix to SA 800 which contains illustrations of auditors report on special purpose financial statements]		
Para 12, 13	Description of Applicable Financial Reporting Framework Has the auditor evaluated that the financial statements adequately refer to or describe the applicable financial reporting framework? In addition, in the case of financial statements prepared in accordance with the provisions of a contract, has the auditor evaluated whether the financial statements adequately describe any significant interpretations of the contract on which the financial statements are based? Does the auditor's report describe the purpose for which the financial statements are prepared and, if necessary, the intended users, or refer to a note in the special purpose financial statements that contains that information? (Refer Appendix of SA 800 for examples) If management has choice of financial reporting frameworks in the preparation of such financial statements, does the management responsibility paragraph in the auditor's report makes reference to management's responsibility for determining the acceptability of the applicable financial reporting framework in the circumstances. [Note: Refer Appendix of SA 800 for Illustrations of Auditors' Reports]		

	on Special Purpose Financial Statements.]		
Para 14, A15	Alerting Readers that the Financial Statements Are Prepared in Accordance with a Special Purpose Framework Does the auditor's report on special purpose financial statements include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose? Is the above paragraph included under an appropriate heading within the audit report? The special purpose financial statements may be used for purposes other than those for which they were intended. For example, a regulator may require certain entities to place the special purpose financial statements on public record. To avoid misunderstandings, the auditor alerts users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose. (Para A14) In addition to the above, has the auditor considered it appropriate to indicate that the auditor's report is intended solely for the specific users? If yes: • Depending on the law or regulation of the particular jurisdiction, has the distribution or use of the auditor's report been restricted? • The paragraph discussing the Basis of Accounting for special purpose framework (Para 14) may be expanded to include these other matters, and the heading modified accordingly.		

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

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard on Auditing ('SA') have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the audit working papers.

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Scope

This Standard on Auditing (SA) provides guidance as to the manner in which SAs 100 -700 should be applied to an audit of a single financial statement or of a specific element, account or item of a financial statement prepared in accordance with a general or special purpose framework. Where the single financial statement or the specific element, account or item of financial statements is prepared in accordance with a general or special purpose framework, SA 800 would also required to be complied with.

Appendix of this standard gives examples of Specific Elements, Accounts or Items of a Financial Statement. Such examples are also appended as Appendix 1 to this checklist. Further, the standard also gives illustrations of audit reports falling under this SA. Such list of illustrations are appended as Appendix 2 to this checklist. Reference should be made to the Standard to refer to the illustrations.

Effective Date

This SA is effective for audits of single financial statements or of specific elements, accounts or items of a financial statement, for periods beginning on or after April 1, 2011. In the case of audits of single financial statements or specific elements, accounts or items of a financial statements prepared as at a specific date, this SA is effective for audits the information prepared as at date on or after April 1, 2011.

Objective

The objective of the auditor while applying SAs in an audit of a single financial statement or of a specific element or account or item of a financial statement is to address the considerations that are related to:

- (a) The acceptance of the engagement,
- (b) Planning and performance of the engagement and
- (c) Forming an opinion and reporting on single financial statement or specific elements, accounts or items of a financial statement but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Definitions

Single financial statement: examples would include a cash flow statement, a statement of cash receipts and disbursements,

Element of a financial statement: Implies an element, account or item of a financial statement for e.g. – cash and bank balance, accounts receivable, allowance for doubtful debts receivable, inventory, the liability for accrued benefits of a private pension plan, a schedule of externally managed assets and income of a private pension plan, a schedule of profit participation or employee bonuses, a schedule of disbursement in relation to lease property, liability for incurred but not recorded claims in an insurance portfolio, including related notes.

Financial reporting Standards:

“Financial Reporting Standards” includes:

- The Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI)²; or

² For example, the Accounting Standards for Local Bodies issued by ICAI.

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- Accounting Standards notified under the Companies Act, 2013; or
- The International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board; or
- The International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board; or
- Any other Accounting Standards as may be applicable to the entity.

Related Notes:

Related notes generally comprises of a summary of significant accounting policies and other information relevant to the financial statement or element, account or item.

Notes:

1. This SA does not apply to audit report of a component auditor issued as a result of work performed by the component auditor on the financial information of a component pursuant to instructions received from the group auditor as part of the audit of group financial statements.
2. This SA does not override the requirements of other SAs or deal with special considerations specific to an engagement.

Para No.	Particulars	Response [Yes/No/NA] (give comments wherever required)	WP reference
	Considerations When Accepting the Engagement		
Para 7	Has the auditor been engaged to audit the complete set of financial statements in addition to the audit of the single financial statement or specific element of a financial statements? If yes, has the auditor complied with all SAs relevant to audit as per SA 200? If no, has the auditor determined whether the audit of a single financial statement or of a specific element of those financial statements in accordance with SAs is practicable? [Note: In cases when the auditor is not also engaged to audit the entity's complete set of financial statements, the auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's complete set of financial statements. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's complete set of financial statements. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain SAs require audit work that may be disproportionate to the element being audited. For example, although the requirements of SA 570 (Revised) are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with SAs may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable. (Para A6)]		
Para A5	Has the auditor ensured that the relevant ethical requirements including those related to independence relating to financial statement audit engagements have been complied? Has the auditor departed from a relevant requirement of any SA? If yes, has the auditor performed alternative procedures to achieve the aim of that requirement?		
	Acceptability of the Financial Reporting Framework		
Para 8	With respect to the financial reporting framework applied by the		

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and A7	management in preparation of the single financial statement/element of the financial statement, has the auditor: Determined the acceptability of the financial reporting framework? Determined whether the framework provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement/element and the effect of material transactions/events on the information conveyed in the single financial statement/element?		
	Form of Opinion		
Para 9, A16	Does the engagement letter include the expected form of any reports to be issued by the auditors? Has the auditor considered whether the expected form of opinion is appropriate in the circumstances? [Note: Factors that may affect the auditor's consideration as to whether to use the phrases "presents fairly, in all material respects", or "gives a true and fair view" in the auditor's opinion include: • Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation of a complete set of financial statements; • Whether the single financial statement or the specific element of a financial statement will; (i) comply fully with each of those requirements of the framework relevant to the particular financial statement or the particular element, and the presentation of the financial statement or the element include the related notes; and (ii) if necessary to achieve fair presentation, provide disclosures beyond those specifically required by the framework or, in exceptional circumstances, depart from a requirement of the framework. The auditor's decision as to the expected form of opinion is a matter of professional judgment. It may be affected by whether use of the phrases "presents fairly, in all material respects", or "gives a true and fair view" in the auditor's opinion on a single financial statement or on a specific element of a financial statement prepared in accordance with a fair presentation framework is generally accepted in the particular jurisdiction. (Para A9) Where auditor is auditing single financial statement & specific elements, accounts or items of a financial statement, has the auditor referred to appendix 2 of SA 805 for illustrations of audit reports in various circumstances for forming the audit opinion?		
	Considerations When Planning and Performing the Audit		

Para 10	Has the auditor adapted all relevant applicable SAs while conducting the audit of the single financial statement or a specific element of a financial statement?		
Para A10	Has the auditor considered the risk of misstatement of a single financial statement or a specific element of the financial statement due to fraud, effect of related party transactions or the incorrect application of going concern assumption?		
Para A11	Has the auditor obtained written representations from management about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework?		
Para A12	Has the auditor used the audit evidence obtained during the audit of complete set of financial statements while auditing single financial statement? If yes, has the auditor planned and performed the required audit procedures to obtain appropriate audit evidence based on which opinion has been formed?		
Para A13	Where other elements (other than those which are subjected to audit) are interrelated to the single financial statement or specific element of a financial statement, has the auditor considered performing procedures on the inter-related items to achieve the objective of audit?		
Para A14	Has the auditor used lower materiality while auditing single financial statement or specific element of a financial statement as compared to materiality used for auditing complete set of financial statements? If yes, has it affected the nature, timing and extent of audit procedures and evaluation of uncorrected misstatements?		
	Forming an Opinion and Reporting Considerations		
Para 11	Has the auditor applied the requirements of SA 700 (Revised) and adapted as necessary while forming an opinion and reporting on single financial statement /element?		
Para 12	Where the auditor is engaged to report on a single financial statement or specific element of a financial statement in addition to the audit of a complete financial statements, has the auditor ensured that a separate opinion has been expressed for each engagement?		
Para 13	Has the entity published the audited single financial statement or element of financial statement together with the complete set of financial statements? If yes, does the auditor concludes that there is a lack of adequate differentiation in the presentation of the complete set of financial statements from the single financial statement/element of single financial statement?		

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	If yes, has the auditor requested the management to rectify the situation? Has the auditor ensured that there is adequate differentiation in the opinion on the complete set of financial statements from the single financial statement/element of financial statement? [Note: Unless, this differentiation is achieved, the auditor shall not issue the auditor's report on the single financial statement/specific element of financial statements]		
Para A15	Has the auditor evaluated whether the financial statement or element including related notes provides adequate disclosures to enable the users to understand the information conveyed in the financial statement/element and the effect of material transactions/events on the information conveyed in the financial statement/element?		
Para 14, A17	Whether the auditor's opinion on an entity's complete set of financial statements is modified, or that report includes an Emphasis of Matter paragraph or an Other Matter paragraph? Has the auditor determined the effect of this on single financial statement or on specific element/(s) of those financial statements? Has the auditor, modified the opinion or included an Emphasis of Matter paragraph or an Other Matter paragraph in the auditor's report on single financial statement, if deemed appropriate? Where the modified opinion or emphasis of matter paragraph or Other Matter paragraph does not relate to single financial statement or specific element of a financial statement, has the auditor concluded that it is appropriate to refer to the modification in an Other Matter Paragraph in the audit report on the single financial statement or specific element of a financial statement?		
Para 15, 16, 17	Has the auditor issued an adverse opinion or a disclaimer of opinion on the complete set of financial statements? If yes, has the auditor ensured that the auditor's opinion on the complete set of financial statements does not include an unmodified opinion on the single financial statement/specific element of the financial statements that forms part of the complete financial statements? Further to above, does the auditor still consider that though an adverse opinion has been issued on the complete financial statements, an unmodified opinion should be issued in the context of a separate audit of a specific element included in that financial statement? If yes, has the auditor ensured that the following conditions have been satisfied: ○ the issuance of an unmodified opinion is not prohibited by any law or regulation? ○ the audit opinion on the specific element included in the financial statement is not published together with the auditors'		

	report containing the adverse opinion or disclaimer of opinion? ○ The specific element of the financial statement on which audit opinion is being issued does not constitute a major portion of the entity's complete set of financial statements? [Note: The auditor shall not express an unmodified opinion on a single financial statement of a complete set of financial statements if the auditor has expressed an adverse opinion or disclaimed an opinion on the complete set of financial statements as a whole. This is the case even if the auditor's report on the single financial statement is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of those financial statements.]		
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Appendix 1 of SA 805

Examples of Specific Elements, Accounts or Items of a Financial Statement:

- Accounts receivable, allowance for doubtful accounts receivable, inventory, the liability for accrued benefits of a private pension plan, the recorded value of identified intangible assets, or the liability for "incurred but not reported" claims in an insurance portfolio, including related notes.
- A schedule of externally managed assets and income of a private pension plan, including related notes.
- A schedule of net tangible assets, including related notes.
- A schedule of disbursements in relation to a lease property, including explanatory notes.
- A schedule of profit participation or employee bonuses, including explanatory notes.

Appendix 2 of SA 805

Illustrations of Auditors' Reports on a Single Financial Statement and on a Specific Element of a Financial Statement:

- Illustration 1: An auditor's report on a single financial statement prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 2: An auditor's report on a single financial statement prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: An auditor's report on a specific element, account or item of a financial statement prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

SA 810, Engagements to Report on Summary Financial Statements

Client name _____ WP Reference _____

Period ended _____ Prepared by _____

Date _____

Purpose of the checklist: The purpose of this checklist is to provide guidance on compliance with the requirements of Standards on auditing.

How to use this checklist:

1. Relevant paragraph references in the Standard on Auditing ('SA') have been indicated in the first column.
2. The Engagement Partner and Manager* are required to review the completed checklist and initial this page.
3. After completion, the checklist should be filed in the appropriate section of the audit working papers.

	Manager*	Partner
Reviewed by		
Date		

*Wherever applicable

Scope

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

Effective date

This SA is effective for engagements beginning on or after April 1, 2011.

Objectives

The objectives of the auditor are to:

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

Definitions

Applied criteria – The criteria applied by management in the preparation of the summary financial statements.

Audited financial statements – Financial statements audited by the auditor in accordance with SAs, and from which the summary financial statements are derived.

Summary financial statements – Historical financial information that is derived from financial statements but that contains less detail than the financial statements, while still providing a structured representation consistent with that provided by the financial statements of the entity's economic resources or obligations at a point in time or the changes therein for a period of time. Different jurisdictions may use different terminology to describe such historical financial information.

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Para No.	Particulars	Response [Yes/ No/ NA] (give comments wherever required)	W.P. Reference
Engagement acceptance			
Para 5	Has the auditor accepted the engagement to report on summary financial statements in accordance with this SA only if the underlying financial statements were audited by the same auditor? [Note: The audit of the financial statements from which the summary financial statements are derived provides the auditor with the necessary knowledge to discharge the auditor's responsibilities in relation to the summary financial statements in accordance with this SA.(Para A1)] [Note: (In some cases, the auditor may be required by a law or a regulation governing the entity to report on summary financial statements even for such accounting periods for which the former was not engaged to conduct the audit in accordance with SAs of the financial statements pertaining to such accounting periods. For example, in case of the report of the auditor of the company to be included in a prospectus under Clauses 1, 2, 3 of Part IIB of Schedule II to the Companies Act, 1956, such auditor might not necessarily have been the auditor of all or some of the financial statements of the company in respect of the accounting periods relating to which financial information has been reported upon by him/ her in the aforementioned report) (Para 5 (Footnote 3))]		
Para 6(a), A4, A5	Has the auditor determined whether the applied criteria are acceptable before accepting the engagement to report on summary financial statements? In making the above determination, have the relevant factors, including the following, been considered: - the nature of the entity - the purpose of the summary financial statements - the information needs of the intended users of the summary financial statements - whether the applied criteria will result in summary financial statements that are not misleading in the circumstances - criteria for the preparation of summary financial statements may be established by an authorised or recognised standard setting organisation or by law or regulation? [Note: Management is responsible for the determination of the information that needs to be reflected in the summary financial		

	statements so that they are consistent, in all material respects, with or represent a fair summary of the audited financial statements. Because summary financial statements by their nature contain aggregated information and limited disclosure, there is an increased risk that they may not contain the information necessary so as not to be misleading in the circumstances. This risk increases when established criteria for the preparation of summary financial statements do not exist.(Para A3)] [Note: Where established criteria for the preparation of summary financial statements do not exist criteria may be developed by management, for example, based on practice in a particular industry. Criteria that are acceptable in the circumstances will result in summary financial statements that: • Adequately discloses their summarized nature and identifies the audited financial statements • Clearly describes from whom or where the audited financial statements are available or if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, that law or regulation; • Adequately discloses the applied criteria • Agrees with or can be re-calculated from the related information in the audited financial statements; and • In view of the purpose of the summary financial statements, contains the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances. (Para A6)]		
Para 6(b)	Has the auditor obtained agreement of management that it acknowledges and understands its responsibility for the following: • Preparation of the summary financial statements in accordance with the applied criteria • Making the audited financial statements available to the intended users of the summary financial statements without undue difficulty (or, if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, to describe that law or regulation in the summary financial statements); • Including the auditor's report on the summary financial statements in any document that contains the summary financial statements and that indicates that the auditor has reported on them?		

Checklist on Standards on Auditing

	[Note: Management's agreement with the aforesaid matters in Para 6 of this SA may be evidenced by a written acceptance for the terms of the engagement.(Para A2)]		
Para 6(c)	Has the auditor agreed with management the form of opinion to be expressed on the summary financial statements?		
Para 7	If, the applied criteria is not acceptable or if the auditor is unable to obtain the agreement with the management as set out in para 6(b) of this SA, has the auditor accepted the engagement only if required by law or regulation? In such a case, since the engagement conducted in accordance with law or regulation does not comply with this SA, whether the auditor has: - ensured that the auditor's report on the summary financial statements does not indicate that the engagement was conducted in accordance with this SA - ensured that an appropriate reference to this fact has been included in the terms of the engagement. - Determined the effect that this may have on the engagement to audit the financial statements from which the summary financial statements are derived?		
Nature of procedures			
Para 8	Whether the auditor has performed the following procedures and any other procedures that the auditor considered necessary as the basis for the auditor's opinion on the summary financial statements: a) Has the auditor evaluated whether the summary financial statements adequately disclose their summarised nature and identify the audited financial statements? b) When summary financial statements are not accompanied by the audited financial statements, whether the auditor evaluated that they describe clearly:- - from whom or where the audited financial statements are available (or) - the law or regulation that specifies that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements. c) Whether the auditor evaluated that the summary financial statements adequately disclose the applied criteria? d) Has the auditor compared the summary financial statements with the related information in the audited financial statements to determine whether the summary financial statements agree with or can be re-calculated from the related information in the audited financial statements?		

	e) Have the auditor evaluated that the summary financial statements been prepared in accordance with the applied criteria? f) Whether the auditor evaluated that the summary financial statements contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances? g) Whether the auditor evaluated that the audited financial statements available to the intended users of the summary financial statements without undue difficulty, unless law or regulation provides that they need not be made available and establishes the criteria for the preparation of the summary financial statements? [Note: In making the above evaluation, has the auditor taken into consideration the following factors :- • whether the summary financial statements describe clearly from whom or where the audited financial statements are available • whether the audited financial statements are on public record; or • whether management has established a process by which the intended users of the summary financial statements can obtain ready access to the audited financial statements.(Para A8)]		
Form of opinion			
Para 9	Does any law or regulation prescribe the wording of the opinion on the summary financial statements? • If no, does the auditor's opinion use one of the following phrases for an unmodified opinion on the summary financial statements – (a) The summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the [applied criteria] (or) (b) The summary financial statements are a fair summary of the audited financial statements, in accordance with the [applied criteria]		
Para10, 11	If any law or regulation prescribed the wording of the opinion on the summary financial statements in terms that are different from those described in this SA, has the auditor – • Applied the procedures as prescribed in para 8 of this SA and performed any further procedures necessary to enable the auditor to express the prescribed opinion? • Evaluated whether the users of the summary financial statements might misunderstand the auditor's opinion on the summary financial statements and, if so, whether additional explanation in the auditor's report on the summary financial statements can mitigate possible misunderstanding?		

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	In such case, if the auditors concludes that the additional explanation in the auditor's report on the summary financial statements, as discussed above, can not mitigate possible misunderstanding and the engagement is still accepted due to requirement of a law or regulation has the auditor ensured that the auditors' report on the summary financial statements does not indicate that the engagement was conducted in accordance with this standard?		
Timing of work and events subsequent to the date of auditor's report on audited financial statements			
Para 12	If the date of auditor's report on the summary financial statements is later than the date of the auditor's report on the audited financial statements, does the auditor's report on summary financial statements state that the summary financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements that may require adjustment of, or disclosure in the audited financial statements? [Note: When the auditor reports on the summary financial statements after the completion of the audit of the financial statements, the auditor is not required to obtain additional audit evidence on the audited financial statements, or report on the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements since the summary financial statements are derived from the audited financial statements and do not update them.(Para A10)]		
Para 13	Has the auditor become aware of facts that existed at the date of the auditor's report on the audited financial statements, but of which the auditor was previously unaware of? If yes, then Has the auditor taken into consideration such facts in relation to the audited financial statements in accordance with SA 560 and has the auditor's report on the summary financial statements been issued only upon completion of the required action, if any?		
Auditor's report on summary financial statements			
Para 14	Has the auditor ensured that the auditor's report on summary financial statements includes the following elements – (a) A title clearly indicating it as the report of an independent auditor distinguishing from reports issued by others e.g. by titling the report as 'Report of the Independent Auditor'? (Para A11) (b) The addressee name after due evaluation of factors including terms of the engagement, the nature of the entity, and the purpose of the summary financial statements? (Para A12) If the addressee of the summary financial statements, is not the same as that of the addressee of the auditor's report on the audited		

	financial statements, the appropriateness of using a different addressee should be evaluated. (Para 15) (c) An introductory paragraph that – (i) identifies the summary financial statements on which the auditor is reporting, including the title of each statement included in the summary financial statements; [Note: When the auditor is aware that the summary financial statements will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the summary financial statements are presented. This helps readers to identify the summary financial statements to which the auditor's report relates. (Para A13)] (ii) identifies the audited financial statements; (iii) refers to the auditor's report on the audited financial statements, the date of that report, and, subject to para 17 and 18 of this SA, the fact that an unmodified opinion is expressed on the audited financial statements; (iv) if the date of the auditor's report on the summary financial statements is later than the date of the auditor's report on the audited financial statements, states that the summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements; and (v) a statement indicating that the summary financial statements do not contain all the disclosures required by the financial reporting framework applied in the preparation of the audited financial statements, and that reading the summary financial statements is not a substitute for reading the audited financial statements. (d) A description of management's responsibility for the summary financial statements, explaining that management is responsible for the preparation of the summary financial statements in accordance with the applied criteria? (e) A statement that the auditor is responsible for expressing an opinion on the summary financial statements based on the procedures required by this SA? (f) A paragraph clearly expressing an opinion? (g) The auditor's signature along with the firm registration number, wherever applicable, and the membership number assigned by the Institute of Chartered Accountants of India (ICAI)? (h) The date of the auditor's report and the place of signature?		
Para 16	Has the auditor ensured that the date of auditor's report on the		

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	summary financial statements is no earlier than: - the date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion, including evidence that the summary financial statements have been prepared and those with the recognized authority have asserted that they have taken responsibility for them*; and - the date of the auditor's report on the audited financial statements. [Note: *The person or persons with recognised authority to conclude that the summary financial statements have been prepared and take responsibility for them depend on the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements. (Para A14)]		
Modifications to the opinion			
Para 17	If the auditor's report on the audited financial statements contains a qualified opinion, an Emphasis of Matter paragraph or an Other Matter paragraph, but the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial statements, in accordance with the applied criteria, then does the auditor's report on the summary financial statements, in addition to the elements in para 14 of this SA, include: - state that the auditor's report on the audited financial statements contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter paragraph; - describe the basis for the qualified opinion on the audited financial statements, and that qualified opinion; or the Emphasis of Matter or the Other Matter paragraph in the auditor's report on the audited financial statements; and - describe the effect thereof on the summary financial statements, if any?		
Para 18	If the auditor's report on the audited financial statements contains an adverse opinion or disclaimer of opinion, then does the auditor's report on the summary financial statements, in addition to the elements in para 14 of this SA, include: - state that the auditor's report on the audited financial statements contains an adverse opinion or disclaimer of opinion. - describe the basis for that adverse opinion or disclaimer of opinion; and - state that, as a result of the adverse opinion or disclaimer of opinion, it is inappropriate to express an opinion on the summary financial statements?		
Para 19	If the summary financial statements are not consistent, in all material respects, with or are not a fair summary of the audited financial		

	statements, in accordance with the applied criteria, and management does not agree to make the necessary changes, has the auditor expressed an adverse opinion on the summary financial statements?		
Restriction on Distribution or Use or Alerting Readers to the Basis of Accounting			
Para 20	If, • distribution or use of the auditor's report on the audited financial statements is restricted, or • the auditor's report on the audited financial statements alerts readers that the audited financial statements are prepared in accordance with a special purpose framework has it been ensured that the auditor's report on summary financial statements includes a similar restriction or alert?		
Comparatives			
Para 21	If the audited financial statements contain comparatives, have the comparatives been included even in the summary financial statements? [Note: If the audited financial statements contain comparatives, there is a presumption that the summary financial statements also would contain comparatives. Comparatives in the audited financial statements may be regarded as corresponding figures or as comparative financial information. SA 710 describes how this difference affects the auditor's report on the financial statements, including, in particular, reference to other auditors who audited the financial statements for the prior period (Para A16)] If No, then Has the auditor determined whether such omission is reasonable in the circumstances of the engagement? Whether adequate documentation of the rationale for such omission has been made? [Note: Circumstances that may affect the auditor's determination whether an omission of comparatives is reasonable include the nature and objective of the summary financial statements, the applied criteria, and the information needs of the intended users of the summary financial statements (Para A17)] If the omission is not reasonable, has the auditor determined the effect, if any, of such an unreasonable omission on the auditor's report on the summary financial statements?		
Para 22	Do the summary financial statements contain comparatives that were reported on by another auditor? If yes, then Has the auditor ensured that the auditor's report on the summary financial statements also contain the matters that SA 710 requires the auditor to include in the auditor's report on the audited financial statements?		

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Unaudited supplementary information presented with summary financial statements			
Para 23	Whether the auditor has evaluated any unaudited supplementary information presented with the summary financial statements been clearly differentiated from the summary financial statements? If not, has the management been asked by the auditor to change the presentation of the unaudited supplementary information? In case management refuses to make the change required, does the auditor's report on summary financial statements explain that such information is not covered by that report? [Note: SA 700 (Revised) contains requirements and guidance to be applied when unaudited supplementary information is presented with audited financial statements that, adapted as necessary in the circumstances, may be helpful in applying the requirement in para 23 of this SA. (Para A18)]		
Other information in documents containing summary financial statements			
Para 24	Whether "other information" is included in the document containing the summary financial statements and on reading such 'other information'? - Has the auditor identified a material inconsistency with the summary financial statements, if yes, whether the summary financial statements or the other information needs to be revised? - If the auditor has become aware that the other information needs to be revised, the auditor has discussed the matter with the management? [Note: The guidance in SA 720 (Revised) may be adapted as necessary in the circumstances to comply with the above. (Para A19)]		
Auditor association			
Para 25	Has the auditor become aware that the entity plans to state that the auditor has reported on summary financial statements in a document containing the summary financial statements, but does not plan to include the related auditor's report? If yes, then Has the auditor requested the management to include the auditor's report in the document? If management does not include the auditor's report in the document as specified above, has the auditor determined and carry out other appropriate actions designed to prevent management from inappropriately associating the auditor with the summary financial statements in that document?		
Para 26	(i) If the entity, whose financial statements have been audited by the auditor, does not engage the same auditor to report on the summary financial statements and in such a situation, has the		

	auditor become aware that the entity plans to make a statement in a document that refers to the auditor and the fact that summary financial statements are derived from the financial statements audited by the auditor, has the auditor been satisfied that: (a) the reference to the auditor is made in the context of the auditor's report on the audited financial statements; and (b) the statement does not give the impression that the auditor has reported on the summary financial statements. If answer to any of the questions (i) above is No, then (ii) Has the auditor requested management to either change the statement suitably or to not refer to the auditor in the document? (iii) If management does not change the statement, delete the reference to the auditor or include an auditor's report on the summary financial statements in the document containing the summary financial statements, has the auditor advised the management that he disagrees with the reference to the auditor and carried out other appropriate actions designed to prevent management from inappropriately referring to the auditor? [Note: Other appropriate actions the auditor may take when management does not take the requested action may include informing the intended users and other known third-party users of the inappropriate reference to the auditor. The auditor's course of action depends on the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice. (Para A20)]		
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The related SA also contains various illustrations (as appendices) on various types of "Reports on Summary Financial Statements". These are as follows. Reference should be made to the SA when applicable:

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which summary financial statements are derived.
- Illustration 2: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An unmodified opinion is expressed on the audited financial statements.
- Illustration 3: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. A qualified opinion is expressed on the audited financial statements.
- Illustration 4: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements.

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The auditor has determined that the applied criteria are acceptable in the circumstances. An adverse opinion is expressed on the audited financial statements.

- Illustration 5: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements.