

SA 265 (Newly issued) COMMUNICATING DEFICIENCIES IN INTERNAL CONTROL TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT

NOTE:- Students shall note that usually this kind of communication is known as “ Letter of Weakness”

What should be the objective of Auditor according to this SA265

According to SA265 - 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.

What do you mean by deficiency in Internal Control

According to SA 265 - Deficiency in internal control – This exists when a control is designed, implemented or operated in such a way that it is either unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis; or it is missing.

What are the requirements under this SA265?

According to SA265 The auditor shall determine whether, he has identified one or more deficiencies in internal control. If yes he shall determine whether, individually or in combination, they constitute significant deficiencies. If auditor concludes that deficiencies are significant, he shall communicate in writing significant deficiencies in internal control identified during the audit to management and those charged with governance on a timely basis. It is further explained in SA265 that The auditor shall give full description of the deficiencies and an explanation of their potential effects so that to enable those charged with governance and management to understand the context of the communication. Further it is required that auditor shall explain that the purpose of the audit was for the auditor to express an opinion on the financial statements; and 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.