SA 220 (Revised)
Quality Control for an Audit of Financial Statements

- ✓ Scope
- ✓ Objective
- ✓ Effective date
- ✓ Requirement, Application and Other explanatory material
  - ➢ System of quality control and role of engagement team
  - ➢ Leadership responsibilities for quality on audit
  - ➢ Relevant ethical requirements
  - ➢ Acceptance and continuance of client relationships and audit engagements
  - ➢ Assignment of engagement teams
  - ➢ Engagement performance
  - ➢ Monitoring
  - ➢ Documentation

Scope

Scope:

- ✓ Specific responsibilities of the auditor regarding quality control procedures for an audit of financial statements.
- ✓ The responsibilities of the engagement quality control reviewer.

Quality control systems, policies and procedures are the responsibility of the audit firm. The firm should ensure that:

- ✓ The firm and its personnel comply with professional standards and regulatory and legal requirements.
- ✓ The report issued by the firm are appropriate.

Objective and Effective date

Objective:

- ✓ To implement quality control procedures at the engagement level that provide reasonable assurance that:
  - The audit complies with professional standards , legal and regulatory requirements; and
  - The auditor's report issued is appropriate in the circumstances.

Effective:

- ✓ It is effective for audits of financial statements for periods beginning on or after April 1, 2010.

Leadership responsibilities for quality on audit:

Requirements:

- ✓ The engagement partner shall take responsibility for the overall quality on each audit engagement.

Application and other explanatory material:

- ✓ The engagement partner should emphasis on:
  - 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
    - Issuing auditors report that are appropriate in the circumstances
    - Ability to raise concern without fear of reprisals
  - Quality is essential in performing audit engagements

Relevant ethical requirements:

Requirements:

The Engagement partner shall

- ✓ Ensure compliance with ethical requirement by the audit team through out the audit.
- ✓ Take appropriate action in case of non-compliances
- ✓ Check compliance with Independence requirement.
- ✓ Take appropriate action to eliminate the threat or reduce it to the acceptable level

Application and other explanatory material:

- ✓ The ICAI has issued Code of Ethics to establish fundamental principles of professional ethics, which includes, Integrity, Objectivity, Professional competence and due care, Confidentiality and Professional behaviour.
- ✓ In case of threat to independence, engagement Partner should report to the relevant person within the firm, take appropriate action, eliminate the activity or interest that creates threat or withdraw from audit engagement, if permissible.

Acceptance and continuance of client relationships and Audit Engagements:

Requirements:

- ✓ The engagement partner shall be satisfied that Acceptance and Continuance of client relationship and audit engagements have been followed and conclusion thereof is appropriate.
- ✓ Inform promptly to the firm, if he obtains information that would have been caused the firm to decline the audit engagement, so that the firm and he can take necessary action.

Application and other explanatory material:

- ✓ SQC 1 requires the firm to obtain following information to decide before accepting or continuing with the client:
  - Integrity of principal owner, key management and those charged with governance
  - Whether the engagement team is competent to perform the audit engagement and has the necessary capabilities, including time and resources
  - Whether the firm and engagement team can comply with relevant ethical requirement
  - Significant matters that have arise during the current or previous engagements and their implications for continuing the relationship.

Assignment of the Engagement teams:

Requirements:

- ✓ The engagement partner shall be satisfied that the engagement team and auditor's expert have appropriate competence and capabilities to:
  - Perform the audit engagement in accordance with professional standards and regulatory and legal requirements and
  - Enables an auditors report that is appropriate in circumstances

Application and other explanatory material:

- ✓ Engagement team also includes a expert, engaged or employed by the firm
- ✓ To ensure competency and capability of audit team, engagement partner should consider team's:
  - Understanding of, and practical experience with, audit engagement of a similar nature and complexity through appropriate training and participation
  - Understanding of professional standards and regulatory and legal requirement
  - Technical expertise, including specialisation in IT, Accounting and auditing
  - Knowledge of relevant industry in which client operates
  - Ability of apply professional judgment
  - Understanding of firms quality control policies and procedures.

Engagement performance:

Requirements:

The engagement partner shall take responsibility for:

- ✓ Direction, supervision and performance of audit engagement in accordance with professional standards and regulatory and legal requirements and auditors report that is appropriate in circumstances.
- ✓ Reviews being performed in accordance with firm policies and procedures.
- ✓ He should be satisfied that sufficient appropriate audit evidence has been obtain to support the conclusion reached and auditors report
- ✓ Taking consultation on difficult or contentious matters and conclusion reached have been correctly implemented.
- ✓ In case of difference of opinion between engagement team or with those consulted or with quality control partner, they should follow firm's policies and procedures for dealing with differences.

Engagement performance:

Engagement Quality control review:

For audits of listed entities and other required entities, the engagement partner should ensure that:

- ✓ Engagement quality control reviewer is appointed
- ✓ Significant matters have been discussed with Engagement quality control reviewer.
- ✓ Issuance of auditors report only after completion of Engagement quality control review.

The Engagement quality control reviewer should evaluate significant judgment made and conclusion reached in formulating auditors report by:

- ✓ Discussion of significant matters with Engagement partner
- ✓ Review of financial statement and proposed auditors report
- ✓ Review of selected documentation relating to significant judgment
- ✓ Evaluation of conclusion reached in formulating auditors report

Engagement quality control reviewer should also evaluate:

- ✓ Firms independence in relation to audit
- ✓ Whether appropriate consultation has been done on contentious matter
- ✓ Whether audit documentation selected for review reflects the work performed and supports the conclusion reached.

Engagement performance:

Application and other explanatory material:

- ✓ Direction of engagement team means informing to team matters such as:
  - Team and Individual responsibilities
  - Responsibility of all the partners
  - Objective of the work to be performed
  - Nature of entity's business
  - Risk-related issues
  - Problems that may arise
  - Detailed approach to the performance of the engagement
- ✓ Supervision includes matters such as:
  - Tracking the progress of the audit
  - Considering the competence of the team and individuals
  - Ensure that the work is carried in planned manner
  - Addressing significant matters arising during the audit
  - Identifying the matters for consultation
- ✓ Review consists of consideration whether
  - Work has been performed in accordance with professional standards and regulatory and legal requirements
  - Significant matters have been raised for further consideration
  - Appropriate consultation have been taken place and conclusion thereof implemented and documented
  - Work performed supports the audit conclusion and has been documented
  - Objective of the engagement procedures have been achieved

Engagement performance:

Application and other explanatory material:

- ✓ Timely review of the following at appropriate time during the audit:
  - Critical areas of judgments, especially those relating to difficult or contentious matters
  - Significant risks
  - Other areas which he considers important
  - Engagement partner need not review all the areas
- ✓ Where a member of the engagement team with expertise in a specialised area of accounting or auditing is used, following matters should be considered:
  - Agreeing with that member about the nature, extent and scope of his work and his communication role between the other team member
  - Evaluating the adequacy of his work and relevance and reasonableness of his finding or conclusion and consistency with other audit evidence
- ✓ Effective consultation on significant technical, ethical and other matters can be achieved only when those consulted:
  - Are given all the relevant facts that will enable them to provide informed advice
  - Have appropriate knowledge, seniority and experience
- ✓ It may be appropriate for the engagement team to seek consultation from outside the firm, in case where firm does not have appropriate internal resourses

Monitoring:

Requirements:

- ✓ Effective system of quality control includes a monitoring process designed to provide the firm with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate and operating effectively.

Application and other explanatory material:

- ✓ Firm should establish a monitoring process designed to provide reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate and operating effectively.
- ✓ 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 auditors report was not appropriate.

Documentation:

Requirements:

✓ The auditor shall document:

- Issues identified w.r.t relevant ethical, independence requirements and how they were resolved.
- Conclusions reached on Acceptance and continuance of client relationships and audit engagements.
- Conclusion reached on Independence requirement of the firm
- Nature and scope of, and conclusion resulting from, consultation undertaken during the audit

✓ The engagement quality control reviewer shall document that

- The procedures required by the firm's policies on quality control have been performed
- The review is completed on or before the date of auditors report.
- Reviewer is not aware of any unresolved matter that would cause the reviewer to believe that significant judgment and conclusion reached are not appropriate

Application and other explanatory material:

✓ Documentation of consultation should include:

- The issue on which consultation was sought
- Result of consultation, decision thereon, basis of decision and how it was implemented.

SA 320 (Revised)
Materiality in Planning and Performing an Audit

- ✓ Scope
- ✓ Materiality in the Context of an Audit
- ✓ Effective date
- ✓ Objective
- ✓ <u>Requirement, Application and Other Explanatory Material</u>
  - ➢ Materiality and Audit Risk
  - ➢ Determining Materiality and Performance Materiality when planning the Audit
  - ➢ Revision as the Audit Progresses
  - ➢ Documentation

Scope, Objective, Effective Date of SA 320

Scope:

- Auditor's responsibility to apply the concept of materiality in planning and performing an audit of financial statements.
- The concept of materiality is applied in both planning and performing an audit and evaluating the effect of identified misstatements on the audit and of uncorrected misstatements on the financial statements and in forming the opinion in the auditor’s report.

Objective:

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

Effective:

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

Materiality in the Context of an Audit

- Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
- Judgments about materiality are made in the light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both
- Judgment about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of the users as a group.
- Auditor's determination of materiality is a matter of professional judgment, and is affected by the auditor's perception of the financial information needs of users of the financial statements.

Materiality in the Context of an Audit…

- In this context it is reasonable for the auditor to assume that the users:
  - ✓ have reasonable knowledge of business, economic activities and accounting system.
  - ✓ willingness to study the information in the financial statements with reasonable diligence.
  - ✓ understand that financial statements are prepared, presented and audited to levels of materiality.
  - ✓ recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment and the consideration of future events.
  - ✓ make reasonable economic decisions on the basis of the information in the financial statements.

Determining Materiality and Performance Materiality when Planning the Audit

Requirements:

- When establishing the overall audit strategy, the auditor shall determine materiality for the financial statements as a whole.
- The auditor shall determine performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedure.

Determining Materiality and Performance Materiality when Planning the Audit…

- Specific Considerations :
  - ✓ In case of owner-managed business where Profit Before Tax is consistently nominal and where the owner takes much of the PBT in the form of remuneration, a benchmark such as profit before remuneration and tax may be more relevant.
  - ✓ Certain entities such as Central/State governments and related government entities, legislators and regulators are often the primary users of its financial statements, the materiality may therefore be influenced by legislative and regulatory requirements.
  - ✓ Certain entities such as public utility programs/projects, total cost or net cost may be appropriate benchmarks for that particular program/project activity.

Determining Materiality and Performance Materiality when Planning the Audit…

Planning the Audit:

- Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.
- Determining performance materiality for purposes of assessing the risks of material misstatement .
- Based on the performance materiality determining nature, timing and extent of audit procedures.

Determining Materiality and Performance Materiality when Planning the Audit…

Revision as the Audit Progresses:

- Reassessment of materiality as the audit progresses and revision in the materiality if the factors and circumstances lead to different amount as initially determined.
- If there is an change in materiality as previously assessed than determine whether it is necessary to revise performance materiality, and whether the nature, timing and extent of the further audit procedures remain appropriate.

Determining Materiality and Performance Materiality when Planning the Audit…

Application and Other Explanatory Material

- Use of Benchmarks in Determining Materiality for the Financial Statements as a Whole. Examples of benchmarks that may be appropriate, depending on the circumstances of the entity, include categories of reported income such as profit before tax, total revenue, gross profit and total expenses, total equity or net asset value.
- Priors periods financials, budgets, forecasts, industry in which the entity operates, economic environment in which the entity operates, this are the few factors to be considered.
- Materiality Level or Levels for Particular Classes of Transactions, Account Balances or Disclosures – Specific Materiality.
- The example cited in the next slide is only an illustrative and not part of the SAs.

Determining Materiality and Performance Materiality when Planning the Audit…

Benchmark	Percentage (%)
Computation of Overall Materiality	
For a profit - oriented entity	5 % of profit /loss before tax from continuing operations.
For a non profit - oriented entity	1 % of total expenses or total revenue **OR** 0.5 % of total assets
For an entity in Mutual Fund industry	0.5 % of Net Assets Value
For entities where total assets are used as the benchmark	1 % of total assets
Computation of Performance Materiality	
Performance materiality is less than the overall materiality, generally ranging between seventy-five percent (75%) and fifty percent (50%) of overall materiality which depends on whether (a) it is a recurring audit with a history of limited or no booked or proposed audit adjustments or frequent audit adjustments and (b) overall engagement audit risk is considered low or high.	

Determining Materiality and Performance Materiality when Planning the Audit…

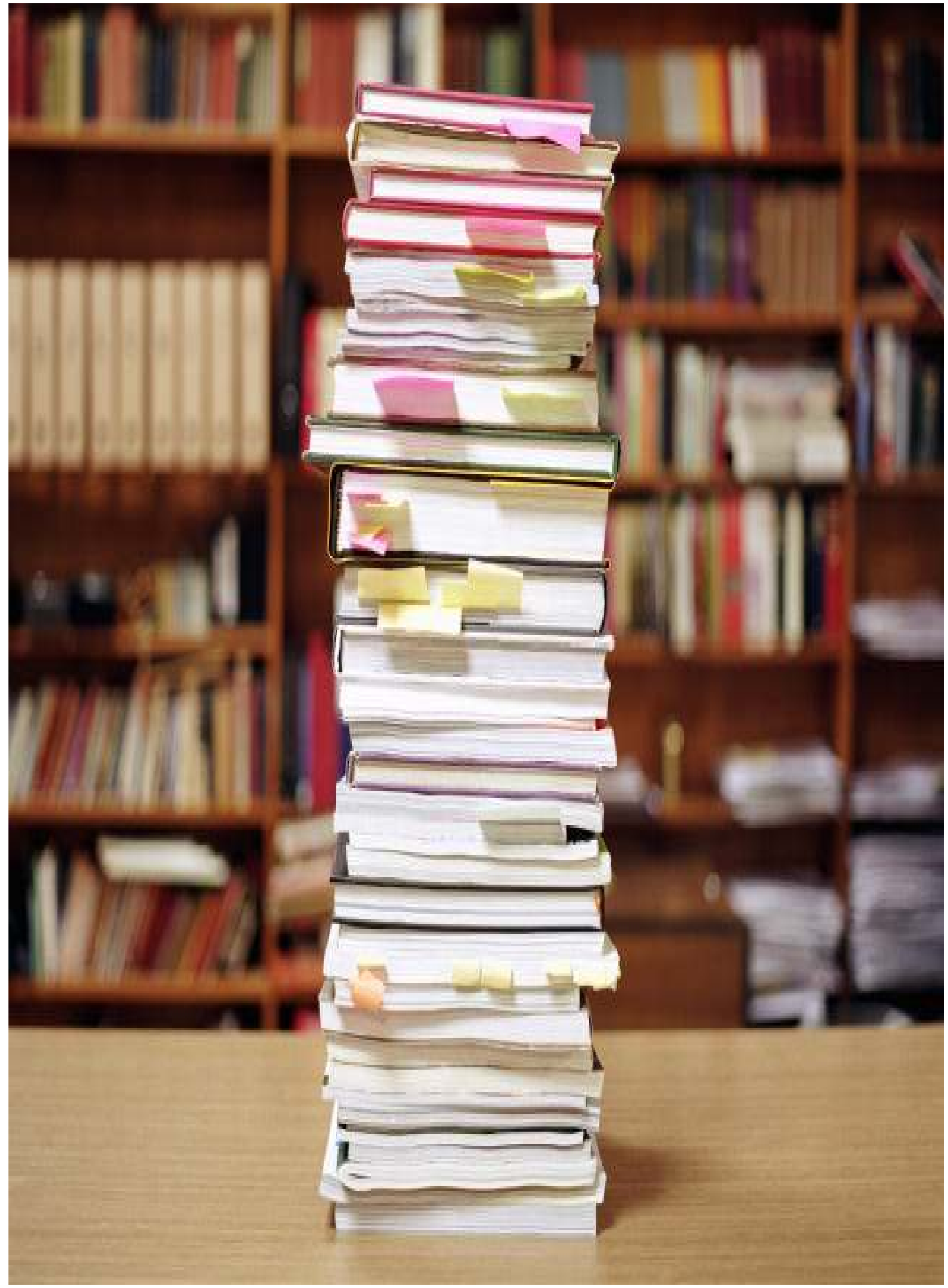
- Immaterial items is usually considered at 5 % of the overall materiality which again depends on the professional judgment and the entity, although not required by the SAs.

  Numerical Example of computation of materiality:

- Overall materiality [5% of PBT (Rs 100 million)] = Rs 5 million
- (The entity is a profit oriented entity and has profit before tax from continuing operations.)
- Performance materiality [75% of overall materiality of Rs 5 million] = 3.75 million
- (A recurring audit with a history of limited or no booked or proposed audit adjustments and the overall engagement or audit risk is considered low)
- Immaterial Items [5% of overall materiality of Rs 5 million] = 0.25 million

Documentation:

- Materiality for the financial statements as a whole.
- materiality level or levels for particular classes of transactions, account balances or disclosures .
- Performance materiality .
- Any revision of in the above points as the audit progressed.



SA 300 (Revised)
Planning an Audit of Financial Statements

- ✓ Scope
- ✓ Effective date
- ✓ Objective
- ✓ Requirement, Application and Other Explanatory Material
  - ➢ The Role and Timing of Planning
  - ➢ Involvement of Key Engagement Team Member
  - ➢ Preliminary Engagement Activities
  - ➢ Planning Activities
  - ➢ Documentation
  - ➢ Additional Consideration in Initial Audit Engagement
- ✓ Appendix:- Considerations in Establishing the Overall Audit Strategy

Scope, Objective, Effective Date of SA 320

Scope:

- Auditor's responsibility to plan an audit of financial statements .

Objective:

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

Effective:

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

“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”

The Role and Timing of Planning

Application & Other Explanatory Material:

- Benefits of adequate planning,
  - ✓ appropriate attention to important areas of the audit.
  - ✓ identify and resolve potential problems on a timely basis.
  - ✓ properly organize and manage the audit engagement so that it is performed in an effective and efficient manner.
  - ✓ selection of engagement team members with appropriate levels of capabilities and competence.
  - ✓ facilitating the direction and supervision of engagement team members and the review of their work.

- 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,
  - ✓ changes in circumstances that occur during the audit engagement.

Involvement of Key Engagement Team Members

Requirements:

- The engagement partner and other key member of engagement team shall be involved in planning the audit, including planning and participating in the discussion among engagement team members.

Application:

- Involvement of engagement partner and other key members in planning the audit draws on their experience and insight, thereby enhancing the effectiveness and efficiency of the planning process.

Preliminary Engagement Activities

Requirements:

The following activities shall be undertaken at the beginning of the current audit engagement:

- ✓ Evaluating compliance with ethical requirements, including independence.
- ✓ Establishing an understanding of the terms of the engagement.
- ✓ Issues with management integrity that may affect the auditor's willingness to continue the engagement.

Application:

The above procedure assists in identifying and evaluating events or circumstances that may adversely affect the auditor’s ability to plan and perform the audit engagement.

Planning Activities

Requirements:

- Auditor shall establish an overall audit strategy that sets the scope, timing and direction of the audit and that guides the development of the audit plan.
- Factors in establishing the overall audit strategy,
  - ✓ Identify the characteristics of the engagement that define its scope.
  - ✓ Ascertain the reporting objectives of the engagement.
  - ✓ Nature of the communications required.
  - ✓ Consider the results of preliminary engagement activities.
  - ✓ Ascertain the nature, timing and extent of resources.
- Once the overall audit strategy has been established, an audit plan should be developed to address the various matters identified in the overall audit strategy.
- Auditor shall update and change the overall audit strategy and the audit plan as necessary during the course of the audit.

Planning Activities…

Application:

Overall Audit Strategy

- ✓ It assist the auditor to determine, subject to the completion of the auditor's risk assessment procedures, such matters as – resources to deploy for specific audit areas, amount of such resources to be deployed, when these resources are to be deployed, how much resources are managed directed and supervised

Planning Activities…

Audit Plan:

- The nature, timing and extent of planned risk assessment procedures.
- The nature, timing and extent of planned further audit procedures at the assertion level.
- Other planned audit procedures that are required to be carried out so that the engagement complies with SAs.
- Update and change the overall audit strategy during the course of audit.
- Plan the nature, timing and extent of direction and supervision of engagement team members and the review of their work.

Additional Considerations in Initial Audit Engagements:-

- Performing procedures required by SA 220 as mentioned before
- Communicating with the predecessor auditor, where there has been a change of auditors, in compliance with relevant ethical requirements.

Planning Activities…

Considerations Specific to Smaller Entities:

- Establishing the overall audit strategy for the audit of a small entity need not be a complex or time-consuming exercise.
- Depends on the size of the entity, the complexity of the audit and size of the engagement team.
- A brief memorandum prepared at the completion of the previous audit, based on a review of the working papers and highlighting issues identified in the audit just completed, updated in the current period based on discussions with the owner-manager, can serve as the documented audit strategy for the current audit engagement .
- In audits of small entities, the entire audit may be conducted by a very small audit team comprising of the engagement partner only (who may be a sole practitioner) working with one engagement team member (or without any engagement team members.

Considerations in establishing overall Audit Strategy

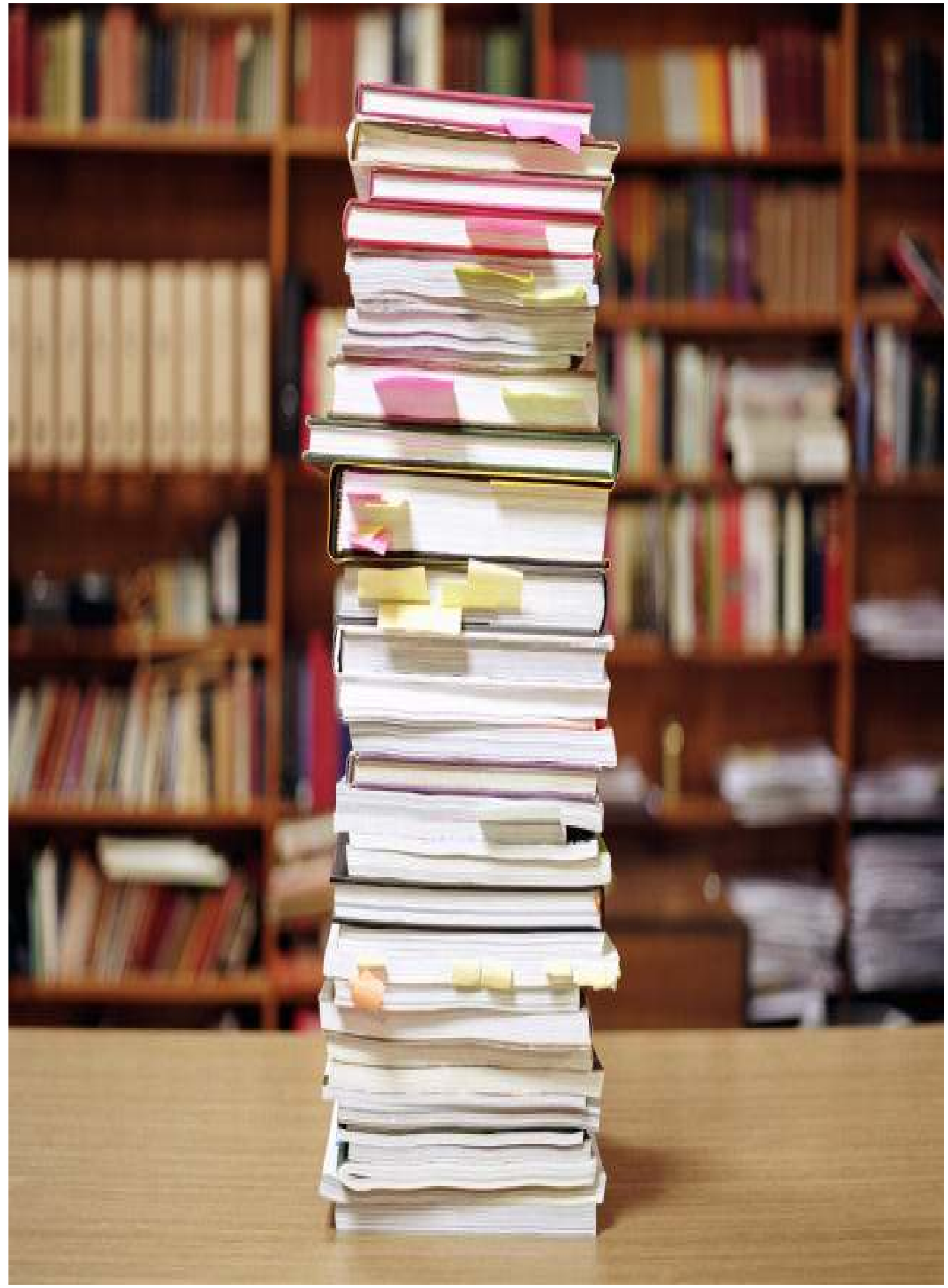
- Financial Reporting Framework
- Industry – specific reporting requirements
- Expected audit coverage including components
- Group dynamics – Holding, Subsidiary, Associates
- Extent to which components are audited by other auditors
- Need for specialised knowledge
- Entity's use of service organisation
- Audit evidence relating to tests of controls and risk assessment procedure of earlier years
- Effect of information technology on audit procedures.
- Coverage and timing of audit vis-à-vis review of interim information
- Availability client personnel and data
- Entity's timetable for reporting

Considerations in establishing overall Audit Strategy...

- Meetings with management/board to discuss the nature, timing and extent of audit work, timing of reports, management letters, other communications
- Determination of materiality / component materiality
- Identification of areas of higher risk of material misstatement
- Auditors emphasis on professional skepticism
- Design and effectiveness of internal controls
- Significant developments in – Entity's business, management, information technology, industry regulations, reporting requirements, accounting standards, legal environment
- Selection of engagement team, experts
- Budgeting of time

Documentation:

- The overall audit strategy.
- The audit plan.
- Any significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes.



Thank You

SA 610 (AAS 7)

Using the work of Internal Auditors

(w.e.f. April 1, 2010)

Scope of SA 610

Applicability

- Deals with the **external auditor’s responsibilities:**
  - regarding the work of internal auditors
  - when the external auditor has determined, in accordance with SA 315 - *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment*
  - that internal audit function is likely to be relevant to the audit

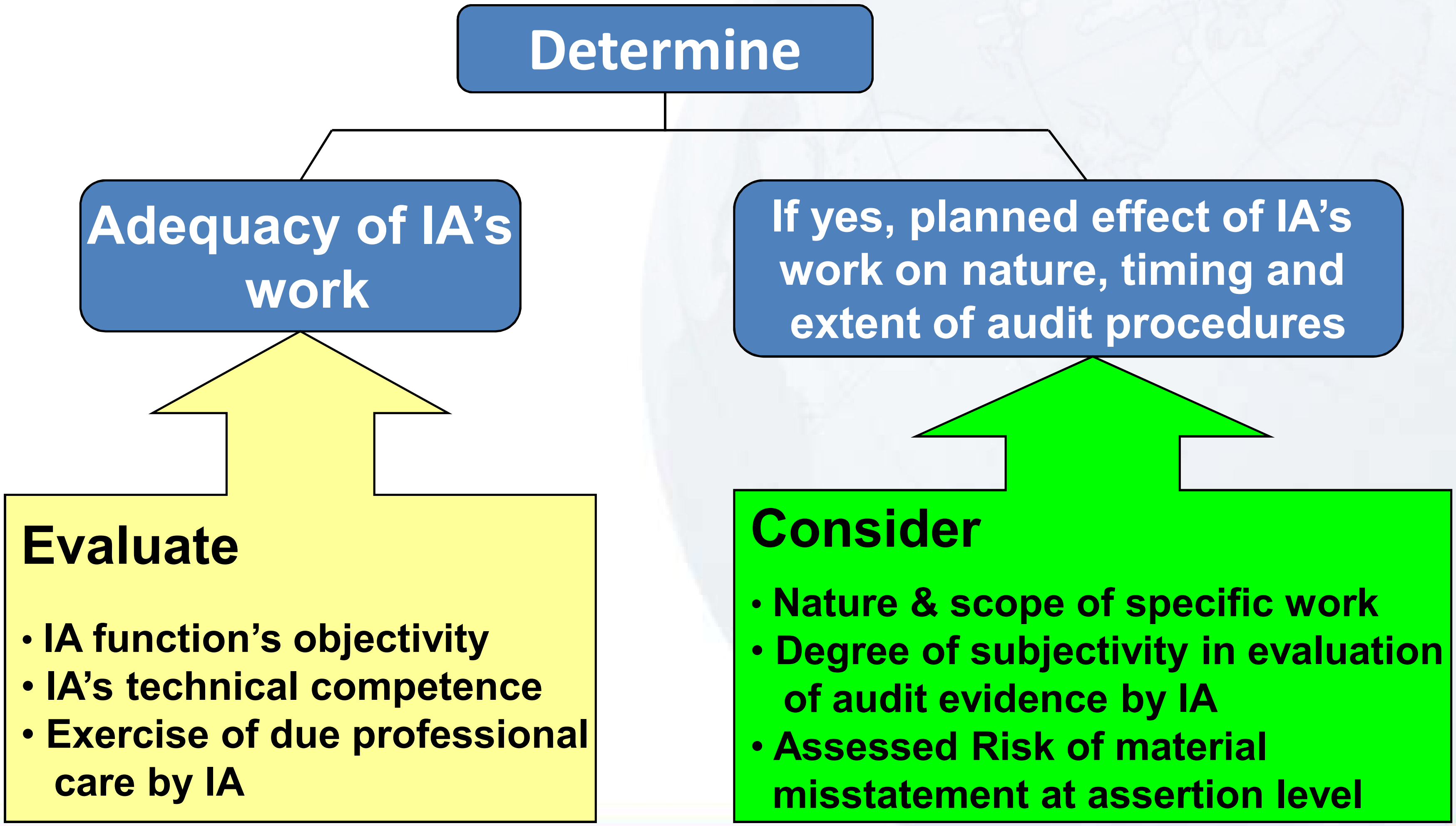
Exclusion

- Does not deal with instances when individual internal auditors provide direct assistance to the external auditor in carrying out audit procedures; or
- Where, the law does not permit the internal auditor to provide access to his working papers to the third parties

Objectives

- If external auditor determines internal audit function likely to be relevant to audit, he needs to determine:
  - Whether and to what extent to use specific work of internal auditors; and
  - If so, whether such work is adequate for external audit purpose
- External auditor has sole responsibility for audit opinion, and that responsibility is not reduced by use of work of internal auditors

Determining Whether and to What Extent to Use the Work of the Internal Auditors



Using Specific Work of the Internal Auditors

External auditor shall evaluate and perform audit procedures on the specific work to determine its adequacy for the external auditor’s purposes:

- Work was performed by internal auditors having **adequate technical training and proficiency;**
- Work was **properly supervised, reviewed and documented**;
- **Adequate audit evidence** has been obtained by the internal auditors;
- **Conclusions reached** are appropriate and any reports prepared by the internal auditors are consistent with the results of the work performed; and
- **Any exceptions or unusual matters** disclosed by the internal auditors are properly resolved

Documentation

When the external auditor uses specific work of the internal auditors, the external auditor shall document :

- Conclusions regarding the evaluation of the adequacy of the work of the internal auditors, and
- The audit procedures performed by the external auditor on that work

SA 720

Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements

(w.e.f. April 1, 2010)

Scope

- Deals with the auditor's responsibility in relation to **other information (OI)** in **documents containing audited financial statements** and the auditor's report thereon
- Unless any **specific requirement in an engagement** auditor's opinion doesn't cover OI, auditor has no responsibility to determine whether OI is properly stated; but
- Auditor **reads** the OI because the credibility of the audited financial statements may be undermined by **material inconsistencies** between the audited financial statements and other information
- In this SA "**documents containing audited financial statements**" refers to annual reports (or similar documents), are issued to owners (or similar stakeholders), containing audited financial statements & the auditor's report thereon

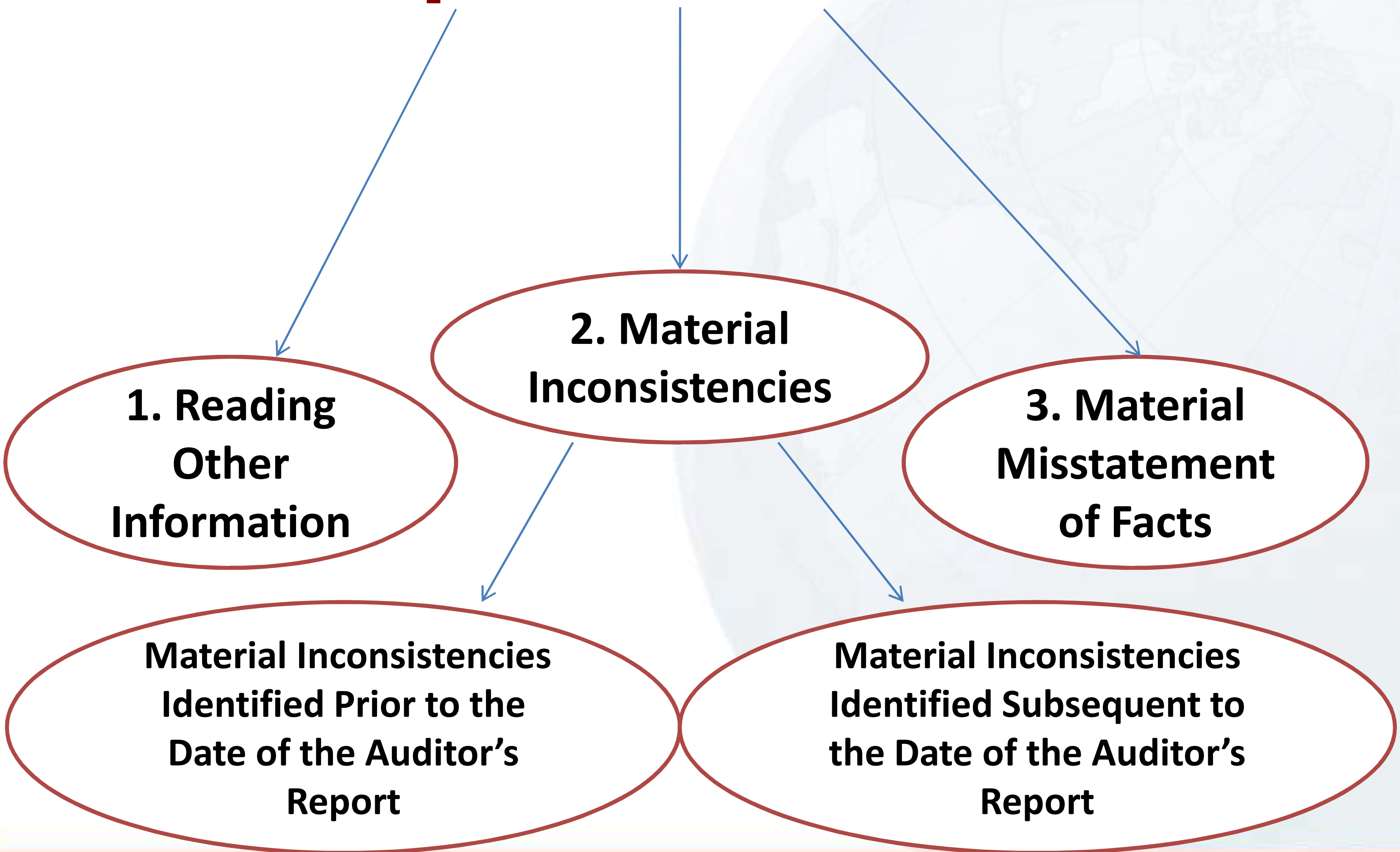
Objectives

The objectives of the auditor is to :

- **Respond appropriately** to documents containing audited financial statements and auditor's report,

- And also to **include other information** that could undermine the credibility of those financial statements and the auditor's report

Requirements of SA



Reading Other Information

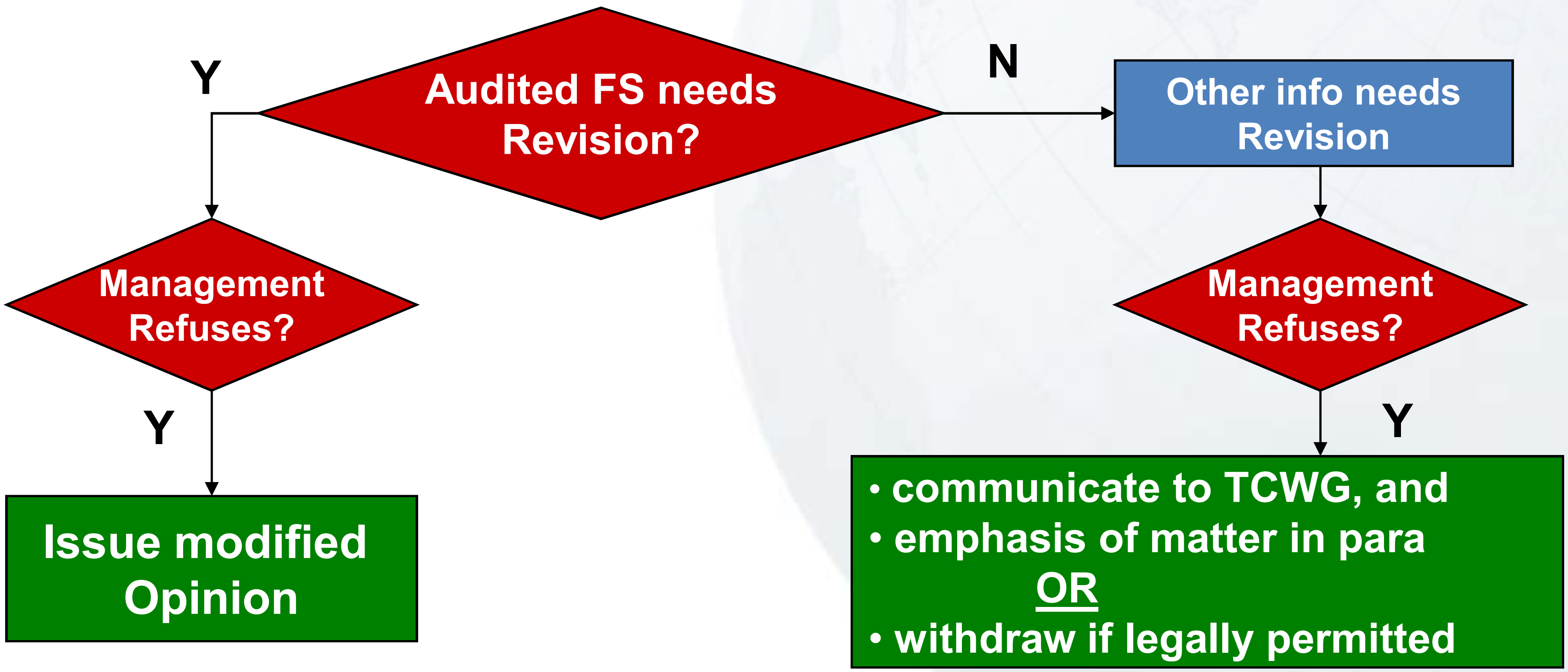
- Read the other information to identify **material inconsistencies**, if any, with the audited financial statements

- Auditor shall make appropriate arrangements to obtain the other information **prior to the date of the auditor's report** which, helps in timely resolution of possible material inconsistency

- If it is not possible to obtain all the other information prior to the date of the auditor's report, the auditor shall read such other information as soon as practicable

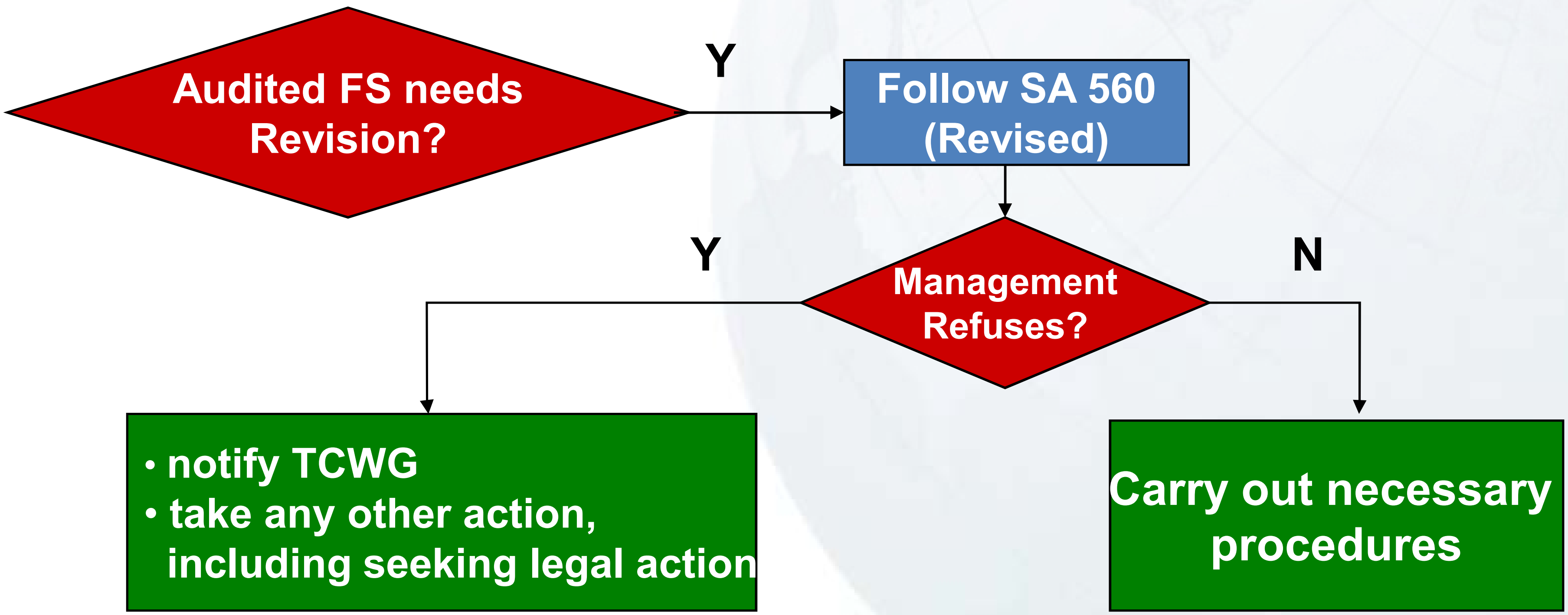
Material Inconsistencies Identified in Other Information

Prior to the Date of Auditor's Report



Material Inconsistencies Identified in Other Information

Subsequent to the Date of the Auditor's Report



Material Misstatement of Facts

- If the auditor becomes aware of an apparent material misstatement of fact, the auditor shall **discuss the matter with management**

- If the auditor is not satisfied with such discussions, the auditor shall request management **to consult with a qualified third party**, such as the entity’s legal counsel, and the auditor shall consider the advice received

- If management refuses to correct the material misstatement of fact in the other information, the auditor **shall notify those charged with governance** of the auditor’s concern regarding the other information and take any further appropriate action

SA 710 Revised (AAS 25)

Comparative Information—Corresponding Figures and Comparative Financial Statements

(w.e.f. April 1, 2011)

Scope of SA 710

- Auditor’s responsibilities regarding **comparative information** in an audit of financial statements

- When the prior period financial statements have been audited by a predecessor auditor or were not audited, the requirements and guidance in SA 510(R) - *Initial Engagements - Opening Balances* regarding opening balances also apply

Nature of Comparative Information

It is presented in an entity’s financial statements depending on the requirements of the **applicable financial reporting framework**

Two Different Broad Approaches

Corresponding figures

Auditor's opinion on the financial statements refers to the current period only

Comparative Financial Statements

Auditor's opinion refers to each period for which financial statements are presented

Objectives

The objectives of the auditor are:

- 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

- To **report** in accordance with the auditor’s reporting responsibilities.

Requirements-Audit Procedure

❖ **Evaluate whether:**

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

❖ **Perform Additional Audit Procedures:**

a) If there is a **possible material misstatement** in the comparative information, the auditor shall perform such additional audit procedures as are necessary in the circumstances to obtain sufficient appropriate audit evidence

b) If the auditor had audited the prior period's financial statements, the auditor shall also follow the relevant requirements of SA 560(R) - Subsequent Events

Requirements-Audit Procedure

- **Written Representations:**

a) As required by SA 580(R) - *Representations by Management*, the auditor shall request written representations for all periods referred to in the auditor's opinion

b) 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

Audit Reporting

CORRESPONDING FIGURES

Auditor’s opinion **shall not** refer to the corresponding figures except:

- Auditor’s report on the prior period included a qualified /disclaimer or adverse opinion and the said matter is unresolved, the auditor shall modify the current period’s audit report

- Auditor obtains audit evidence and becomes aware of material misstatement in prior period financial statements on which an unqualified report was issued, auditor shall express a qualified/adverse opinion in the auditor’s report on the current period financial statements w.r.t corresponding figures if misstatement has not been dealt as required by applicable financial reporting framework

Audit Reporting

PRIOR PERIOD FINANCIAL STATEMENTS AUDITED BY A PREDECESSOR AUDITOR

The auditor should also state:

- that the financial statements of the prior period were audited by a predecessor auditor;
- the type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
- the date of that report, unless the predecessor auditor's report on the prior period's financial statements is revised with the financial statements

Audit Reporting

PRIOR PERIOD FINANCIAL STATEMENTS NOT AUDITED

- If the prior period financial statements were not audited, the auditor shall state in an Other Matter paragraph in the auditor’s report that the corresponding figures are unaudited

- 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

Audit Reporting

COMPARATIVE FINANCIAL STATEMENTS

- Auditor’s opinion shall **refer to each period** for which financial statements are presented and on which an audit opinion is expressed

- If the auditor’s **opinion on prior period financial statements differs from the relevant previous opinion**, the auditor shall disclose the substantive reasons for the different opinion in an Other Matter paragraph in accordance with SA 706

Audit Reporting

❖ If 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, the auditor shall communicate the misstatement with the appropriate level of management and those charged with governance and request that the predecessor auditor be informed.

❖ If the prior period financial statements are amended and the predecessor auditor agrees to issue a new auditor’s report, **the auditor shall report only on the current period**