Date
Page

SA-250 - Consideration of Laws & Regulations in an Audit of financial statements.

Overall Objectives of Auditor :-

(i) To obtain sufficient appropriate audit evidence regarding non-com.
(ii) To perform specified audit procedures to identify non-compliance with laws & regulations.
(iii) To respond appropriately to non-compliance

Responsibilities of Management :-

It is responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws & regulations.

Responsibility of Auditor :-

- The requirements in this SA are designed to assist the auditor in identifying material misstatement of the FS due to non-compliance with laws & regulations
- Auditor is not responsible for preventing non-compliance & detecting non-compliance with rules & regulations.

Two different categories of laws & regulations:-

(i) Those laws & regulations having direct effect on determination of material amounts & disclosures in the FS.

Auditor's Responsibility — Obtain sufficient appropriate audit evidence.

(ii) Those laws & regulations that do $\boxed{\text{not}}$ have direct effet on determination of amt's & disclosures in FS.

Auditor's Responsibility - Limited to undertake specified audit procedures to identify non-compliance with laws & regulations.

Requirements of this SA

Auditor shall obtain a general understanding of :-

(i) legal & regulatory framework applicable to entity.

(ii) How that entity is complying with framework.

Responsibility of Auditor :-

(i) laws & regulations with direct effect -

⇒ Obtain sufficient appropriate audit evidence.

(ii) laws & regulations with not direct effect -

⇒ Perform audit procedures to identify non-compliance.

(iii) Inquiring of management

(iv) Inspecting correspondence with relevant licencing/regulatory authorities.

(v) During audit, auditor must be alert that due to other audit procedures may bring instances of non-compliance.

(vi) Obtain written representation of all.
- known instances of non compliance.
- possible instances of non-compliance.

Audit Procedures when Non-compliance $\boxed{\text{Identified}}$:-

Auditor shall obtain :-

(i) An understanding of the nature of the act & the circumstances in which it has occured.

(ii) Further information to evaluate possible effect ~~of~~ on the FS.

Audit Procedures when Non-compliance $\boxed{\text{Suspected}}$:-

- The auditor shall discuss the matter with management & T.C.W.G.

- If mangmt. & T.C.W.G. do not provide sufficient information the auditor shall consider the need to obtain legal advice

Reporting Non-Compliance to T.C.W.G.

(i) If in the auditor's judgement, Non compliance $\boxed{\text{Intentional}}$ & $\boxed{\text{Material}}$ है to, communicate with TCWG as soon as practical

(ii) If auditor ko लगता है कि TCWG ya mngmt. Non compliance मे शामिल है तो, he should report to higher authority such as audit committee, supervisory Board.

(iii) If No Higher committee / authority, then need to obtain $\boxed{\text{Legal Advice}}$

Reporting Non-compliance in Auditor's Report :-

(i) If Auditor concludes that non-compliance has material effect on fs -

then Auditor can give qualified, adverse opinion.

(ii) If Auditor is precluded by management or T.C.W.G to obtain sufficient & appropriate audit evidence, Then, ~~shall~~ Auditor shall give Qualified or Disclaimer of Opinion.

(iii) If Auditor is unable to obtain audit evidence for non compliance because of Circumstances then the Auditor should Evaluate the effect on Auditor's opinion.

If Auditor has Identified or Suspected Non-compliance with laws & regulations, the Auditor shall determine whether he has to report it to Parties Outside the Entity.

Documentation -

Auditor shall document identified / suspected non-compliance with laws & regulations and the results of discussion with management & those charged with governance & parties outside the entity.

Date
Page

SA-260 - Communication with Those Charged with Governance

Overall Objectives of Auditor:-

(i) Communicate clearly all responsibilities of Auditor regarding financial statement audit with T.C.W.G.

(ii) Obtain from T.C.W.G. information relevant to the audit.

(iii) Provide T.C.W.G. with timely observations arising from the audit that are significant.

(iv) Promote effective two-way communication between Auditor & T.C.W.G.

Those Charged With Governance (T.C.W.G.).

- The person(s) or organisation(s)
- with responsibility for overseeing the strategic decision for the entity and
- obligations related to the accountability of the entity.

When all of T.C.W.G are Involved in Managing Entity :-

- In these cases, if matters required by SA's are communicated to person(s) with management responsibilities, and those person(s) also have governance responsibilities.

then उन लोगों को फिर से बताने की जरुरत नहीं है।

Requirements of this SA :-

- The Auditor shall have knowledge ki कौनसा Person entity k governance structure में है।
- ~~whom~~ with whom he is required to communicate.

Matter to be Communicated to T.C.W.G. :-

(a) Auditor shall communicate with T.C.W.G the responsibilities of the auditor in relation to financial statements audit :-

- Auditor is responsible for forming & expressing an opinion on the F.S.
- Audit of F.S. does not relieve (छोड़) देता है T.C.W.G / mangmnt ko apni Responsibilities से।

(b) Planned Scope and Timing of Audit :-

Auditor shall communicate planned scope of & timing of audit with T.C.W.G.

(c) Significant findings from the Audit :-

The Auditor shall communicate with those charged with governance :-

- The Auditor's view about significant qualitative aspects of the entity's accounting practices.
- Significant difficulties.
- Material weaknesses in design, implementation or operating effiveness of internal control that have came to the Auditor's attention.
- Significant Matters.

Auditor's Independence :-

In the case of listed entities, the auditor shall communicate with T.C.W.G. :-

(a) A Statement that the engagement team and others in the firm as appropriate, have complied with relevant ethical requirements regarding independence.

(b) All relationships and other matters between the firm, network firms and the entity that, in the auditor's professional judgement, may reasonably be thought to bear on independence.

(c) The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

Communication process :-

The Auditor shall communicate with T.C.W.G. the form, timing and expected general content of communications. ⇒ The Auditor shall communicate in writing with T.C.W.G :-

(i) Regarding significant matters.
(ii) Regarding auditor independence.

(c) Timing of Communication:-

The auditor shall communicate with T.C.W.G. on timely basis.

(d) Adequacy of Comm. Process:-

⇒ (i) The auditor shall evaluate whether 2-way comm. is adequate for purpose of audit.

(ii) If it has not, the auditor shall evaluate the effect on the auditor's assessment of the risks of material misstatements.

Documentation

- Where matters required by SA are to be communicated are communicated orally, the auditor shall document them, and when and to whom they were communicated.

- Where matters have been communicated in writing, the auditor shall retain a copy of the communication as part of Audit Documentation.

Date
Page

[SA-265] Communicating deficiencies in Internal Control to those charged with governance & Management.

Overall Objectives of the Auditor :-

Objective of the auditor is to communicate to TCWG & management deficiency in IC that -

(i) Auditor has Identified during audit:-

(ii) That in the Auditor's professional judgement, are of sufficient importance to merit their respective attention.

Deficiencies in Internal Control exists when :-

(a) A control is designed, implemented or operated in such a way that is Unable to prevent or Detect or Correct misstatements in the FS on a timely basis; or.

(b) A Control necessary to prevent, or detect and correct misstatements in the FS on a timely basis is MISSING.

Matters that the Auditor may consider in determining whether a deficiency or combination of deficiencies in IC constitutes a SIGNIFICANT DEFICIENCY :-

(a) likelihood of deficiencies leading to material misstatements in F.S. in future.

(b) The susceptibility to loss or fraud of the related asset or liability.

(c) FS amounts to exposed to deficiencies?

(d) The subjectivity & complexity of determining estimated amounts, such as fair value accounting estimate.

(e) The importance of the controls to the financial Reporting process:

for Example -
- Generating monitoring controls.
- Controls over the prevention & detection of fraud.
- Control over the selection & application of significant accounting policies.
- Control over significant transactions with related parties.

Requirements of this SA :-

(i) The Auditor shall determine on basis of audit work perfor ki 1 or more deficiencies है।

(ii) If Auditor has Identified 1 or more deficiencies, then wo Significant है क्या?

(iii) Significant है तो $\boxed{\text{TCWG}}$ Ko Batao on a $\boxed{\text{Timely Basis}}$

(iv) The Auditor shall also communicate to Mngmt. ~~at~~ on a Timely basis:-

(i) Significant deficiencies in IC Jo TCWG Ko Btayi hai.
(ii) other deficiencies ~~than~~ rather than Significant. बाकी बची हुई।

Date
Page

The Auditor Shall include in the WRITTEN COMMUNICATION of significant deficiencies in IC:-

(a) A description of the deficiencies & their Potential Effects.

(b) Sufficient information to enable TCWG & Mngmt to understand context of communication:-

The Auditor shall explain that -

#' (i) Purpose of audit is expressing opinion on FS.

(ii) Audit includes consideration of IC relevant to preparation of F.S., ~~but not for~~ Designing Audit Procedures, But not for purpose of expressing an opinion on effectiveness of IC..

(iii) The Matters Reported to those Deficiencies that Auditor has Identified & ~~Are~~ those which are of sufficient Importance.

[SA-299] - Responsibility of Joint Auditors :-

Scope of this SA :-

- Deals with the Auditor's responsibility to conduct Audit
- jointly where two or more practicing firms are appointed.
- to conduct Audit of a Single entity.

Division of Work :-

(i) Where joint Auditors are appointed, they should, by mutual discussion, divide the audit work among them.
The division of work would usually be in terms of audit of identifiable units or specified areas.

(ii) Where division of work is difficult or Not possible, then division of work may be with reference to items of assets & ~~div~~ liabilities / Income or expenditure or with reference to Periods of Time.

(iii) The division of work should be adequately documented & preferably communicated to the entity.

Coordination Among JA's.

- If some JA comes to know a matter relevant for other JA, then he should communicate it with the other JA immediately in writing
- Such communication should be before date of Audit Report

Relationship among Joint Auditors:-

In respect of work divided among JA's, each JA is responsible for only his work.

whether he has or NOT separately have Audit Report

for Works - all the JA are jointly & severally responsible :-

(i) In respect of audit work not divided and is carried out by all JA.

(ii) In respect of the decisions & taken all the JA regarding nature, timing, extent of audit procedures to be performed by any of the JA.

(iii) In respect of matters which are brought to the notice of the JAs by any one of them and on which there is an agreement among the JAs.

(iv) for examining that the FS comply with the disclosure requirements of the relevant statute

(v) for ensuring audit report complies with the requirements of relevant statute.

(vi) for matters in (v) above, if are brought to attention of the entity or other JA's by an auditor after the audit report has been submitted, the other JAs would not be responsible for those matters.

Assumptions by Joint Auditors:-

- Each JA's have carried out their part of part in accordance with GAAP.

- If not followed bring to notice of other JA's.

- If material error, assumed to be noticed

* All communication should be before date of Audit Report.

Where separate FS of division /Branch are Audited by one of the JA's.

The other JA's are entitled to proceed on the basis ~~of~~ that such FS comply with all the legal & professional requirements regarding the disclosures to be made and present a true and fair view of the state of affairs and of the working results of the division / Branch concerned, subject to such observations as may be communicated by the JA concerned.

Reporting Responsibilities :-

- Normally all the JA's are able to arrive at an agreed report However, where the JAs are in disagreement with regard to any matters to be covered by the report, each one of them should express his opinion through a separate report.

- A JAs is not bound by the views of the majority of the JAs regarding matters to be covered in the report and should express his opinion in a separate report in case of a disagreement.

Diagrammatically

- Types of Responsibilities
  - Auditor should be individually responsible for ??
    - Type of work alloted to him.
    - documents & records.
    - components alloted to him for audit purpose
  - Auditor should be jointly respon. for ??
    - work not divided.
    - Disclosures not given in audit report.
    - non-compliance with Applicable FRF