

Issues Paper – General Drafting Consistency¹**I. Objectives**

1. **Attachment 1** lists the ISAs' objectives, **showing proposed changes** in relation to the following matters.

OBJECTIVES THAT INCLUDE CONDITIONS

2. Certain objectives require the auditor 'to determine [something]' and then 'take action based on that determination.' ISAs 600, 610, 620 and 810 contain such objectives, but are inconsistent in terms of how the objectives are expressed.
3. It is recommended that the format followed for the objectives in ISA 620 be adopted consistently. See proposed change to ISAs 600, 610 and 810.

OBJECTIVES THAT REFER TO ACCOUNTED FOR/PRESENTED AND DISCLOSED

4. A few objectives direct the auditor to obtain sufficient appropriate audit evidence about whether a matter is accounted for and presented and disclosed in accordance with the applicable financial reporting framework. However, there is some slight inconsistency in the form of these objectives: in some cases, the modifier "appropriately" is used; in others, "properly" or "adequately" is used. Further, in some cases there is reference to the applicable financial reporting framework, but not in others. These inconsistencies exist in relation to ISAs 510, 540, 550, 560 and 706.
5. Subject to context, it is recommended that the modifier "appropriately" be used consistently, and that in all cases reference should also be made to the applicable financial framework. See proposed changes to ISAs 510 and 560. No changes are proposed to ISAs 540, 550 and 706 as the form of the objective used appears appropriate in the context.

OTHER CONSISTENCY MATTERS

6. In addition to the above, a few inconsistencies in wording have been identified. These relate to the following:
 - Use of "to obtain sufficient appropriate audit evidence *about* [something]"² versus "to obtain sufficient appropriate audit evidence *regarding* [something]." (This inconsistency exists in relation to ISAs 240, 250, 330, 501, 570 and 600.)

The latter has been adopted for purposes of consistency. See proposed change to ISAs 240, 330, 570 and 600.

¹ Note: This Agenda Item excludes text from ISAs 210, 265 and 402 and related conforming amendments, if any, which are subject to discussion at the December IAASB meeting.

² Note: Some ISAs deal with obtaining sufficient appropriate audit evidence "about [something]" whereas others deal with evidence "about whether [something] is in accordance with..." This difference is by design in light of the context of the ISAs and therefore does not represent inconsistency in drafting.

- Use of “conclude” versus “conclude, based on audit evidence obtained.” (This inconsistency exists in relation to ISAs 550, 570 and 705.)

The latter has been adopted for purposes of consistency. See proposed change to ISA 550.

- Use of “identified or suspected [something]” versus “[something] or suspected [something].” (This inconsistency exists in relation to ISAs 240 and 250.)

The latter has been adopted for purposes of consistency. See proposed change to ISA 240.

7. Specific inconsistencies noted in the original draft list of objectives developed in 2007 (for example, reference in some cases to “to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level” versus only “to obtain sufficient appropriate audit evidence” in others) do not exist in the list of final ISA objectives.

II. Scope Paragraphs

8. **Attachment 2** lists the ISAs’ scope paragraphs, **showing proposed changes** in relation to the following matters.

AUDITOR’S RESPONSIBILITIES

9. While most scope paragraphs start by referring to the auditor’s responsibilities, the following ISAs’ scope paragraphs do not:
 - ISAs 505, 520, and 530, which refer to the auditor’s use of specific auditing techniques, and ISA 706 which deals with additional communication in the auditor’s report.
 - ISAs 501, 600, 800 and 805, which refer to specific or special consideration.
 - ISA 500, which emphasizes first that the ISA explains what constitutes audit evidence.
10. Although this may be seen as an inconsistency, the Task Force is of the view that the construct followed in the context of each of these cases is appropriate. In regard to ISAs 505, 520, 530 and 706, for example, these ISAs are of a different focus than those that deal with the responsibilities of the auditor relating to a financial statement matter (e.g., accounting estimates), and those that deal with the responsibility of the auditor to do something (e.g., to evaluate misstatements). Further, unlike other ISAs, the application of these ISAs is conditional in some respect. Similarly, ISAs 501 and 600 focus on specific considerations relevant in applying other ISAs in the context of the matters addressed. These ISAs treat similar matters in a similar manner, and are therefore consistent in design. Accordingly, no substantive changes to these scope paragraphs are proposed.
11. There is one exception, however. The scope paragraph of ISA 520 treats the use of substantive analytical procedures and analytical procedures near the end of the audit in the same manner. However, the latter is in fact a responsibility of the auditor in an audit of

financial statements, and should be referred to as such. See proposed change to ISA 520 in Attachment 2.

OTHER CONSISTENCY MATTERS

12. In addition to the above, a few inconsistencies in wording have been identified. These relate to the following:

- Use of *auditor's responsibilities* “in relation to...,” “relating to...,” “regarding...,” “with respect to...,” etc.³

The construct “auditor’s responsibilities relating to...” has been adopted for purposes of consistency. See proposed change to ISAs 540, 550, 570, 610, 620, 710, 720, and 810.

- Inclusion of “adapted as necessary...audits of other historical financial information.”

This is stated in ISA 200 and therefore does not need to be repeated in other ISAs. Accordingly, the phrase has been removed, for purposes of consistency, from the one other ISA in which it appears. See proposed change to ISA 230. (Note: ISA 260 also includes a similar statement, but has been retained due to the conditionality attaching to it.)

- Use of “when performing,” “in planning and performing,” “in relation to,” “in conducting” an audit of financial statements, when such reference is made.
- Unless a specific phrase is appropriate in the context of the ISA, the construct “in an audit of financial statements” has been adopted for purposes of consistency. See proposed change to ISAs 250, 260, 330, 510, 550, and 580.
- Use of “drafted in terms of” versus “framed in the context of” versus “written in the context of.” (This inconsistency exists in relation to ISAs 200, 260, 300, 700 and 800.)

The latter has been adopted for purposes of consistency. See proposed change to ISAs 260 and 300.

III. Other Paragraphs in Introduction Sections

13. The Introduction sections of the ISAs are generally inconsistent in terms of how paragraphs that sets out essential contextual information are treated:

- In some cases, they are presented as a subset of the Scope paragraph (e.g., ISA 240);
- In others, they are presented in separate sections within the Introduction (e.g., ISAs 200 and 320);
- In others, the Scope paragraph refers the reader to related application material (e.g., ISA 300).

³ Note: Some ISAs deal with the auditor’s *responsibility* [to do something]” whereas others deal with the auditor’s *responsibilities* [regarding something]. This difference is by design in light of the context of the ISAs and therefore does not represent inconsistency in drafting.

14. For purposes of consistency, it is recommended that material in an ISA’s Introduction section that provides contextual information, but does not directly relate to the *scope* of the ISA, should be presented in a separate section within the Introduction of the ISA. Similar material is therefore treated in a similar manner. This proposal has the following effect:
- The movement of application material (that is currently linked to the scope paragraph but does not directly relate to the scope of the ISA) to the Introduction of an ISA – See proposed change to ISA 300 (which is now consistent with the presentation in ISA 230 for similar material) in Attachment 3.
 - The introduction of a new heading – See proposed change to ISAs 250, 560 and 570 in Attachment 3. (Note that the proposed changes to ISAs 250 and 570 include removing reference to ‘management’s responsibilities’ in the current subheading, thereby addressing in part the issue further discussed in Section IV below and making the structure of these sections consistent with ISA 240.)
 - Change in the level of an existing subheading. The ISAs affected by this formatting change are ISAs 220, 230, 240, 540, 550, 610, 705, and 710. (This formatting change is not shown in this Agenda Item.)
15. In connection with ISAs’ Introduction sections, ISA 260 is the only ISA⁴ that has application material linked to its objectives. That material deals with the role of communication. Since that material provides relevant context to the ISA, it is recommended that it be repositioned as part of the Introduction of the ISA, thereby enhancing the consistency of the ISAs. See proposed change to ISA 260 in **Attachment 3**.

IV. Management’s Responsibilities

16. Several ISAs, mainly those that were clarified the earliest, make reference in some form to ‘management is responsible’ or ‘those charged with governance are responsible.’
17. It is recommended that where this formulation is not strictly necessary, then such reference should be redrafted to avoid the ‘management is responsible’ formula provided there is no change in the sense. For example, it is proposed that paragraph 16 of ISA 540 could be redrafted as follows “In preparing the financial statements, The preparation of the financial statements requires management has the responsibility to determine whether a transaction, event or condition gives rise...”
18. All references to ‘management is responsible’ in the ISAs (except for those addressed in the IAASB’s December agenda material on proposed final ISA 210) and proposed changes thereto, if any, are shown in **Attachment 4**.

⁴ Subject to IAASB approval of the proposed conforming amendments to ISA 580 arising from ISA 210.

V. Management and/or Those Charged with Governance

19. While the ISAs, in general, are to be read in the context of the applicable governance structure followed in a particular jurisdiction, there are certain matters required of the auditor by individual ISAs either in relation to management or those charged with governance and, in some cases, where applicable, both.
20. **Attachment 5** lists those statements in the Introduction sections or requirements of ISAs where reference is made to:
- ‘Management [and] [or] [and, where, applicable] those charged with governance;’ or
 - ‘Those charged with governance,’ specifically.

The list excludes those cases where it is absolutely clear that the matter being dealt with relates specifically to either management or those charged with governance. It also excludes: (i) requirements that address the obtaining of writing representations from management and, where applicable, those charged with governance (amendments required to conform ISAs to proposed final ISAs 210 and 580 are addressed in the IAASB’s December agenda material on ISA 210); and (ii) requirements that address the communication of material weaknesses in internal control (amendments required to conform ISAs to proposed final ISA 265 are addressed in the IAASB’s December agenda material on ISA 265).

21. In the majority of cases, the current wording appears appropriate in the context. However, it is recommended that refinement be made in relation to reference to ‘unless all of those charged with governance are involved in managing the entity,’ specifically in those cases where the auditor is required to communicate with or notify both management and those charged with governance. In this regard, it is proposed that the phrase ‘unless all of those...involved in managing the entity’ (together with a footnote reference to paragraph 9 of ISA 260) be added to the ISAs where appropriate for consistency. Proposed changes are shown in marked text in **Attachment 5**.

VI. Documentation Requirements

22. Certain ISAs contain specific documentation requirements that are intended to clarify the application of ISA 230 in the particular circumstances of those ISAs.⁵ **Attachment 6** lists all documentation requirements in individual ISAs other than ISA 230.
23. As shown in Attachment 6, the ISAs are inconsistent in terms of how documentation requirements are expressed:
- Some use the phrase: “The audit documentation shall include...” (Specifically, ISAs 320, 450 and 540.)⁶

⁵ As explained in paragraph A6 of ISA 230 (Redrafted), the specific documentation requirements of other ISAs do not limit the application of ISA 230 (Redrafted). Furthermore, the absence of a documentation requirement in any particular ISA is not intended to suggest that there is no documentation that will be prepared as a result of complying with that ISA.

⁶ ISA 240 (Redrafted) uses a variant of this appropriate to the context of that ISA.

- Other use: “The auditor shall document...” (Specifically, ISAs 250, 260, 300, 315, 330 and 610.)
 - Others use: “In meeting the documentation requirements of ISA 230 and other ISAs, the auditor shall include in the audit documentation...” (Specifically, ISAs 550 and 600.)
24. For consistency, subject to context, it is recommended that wording to the following effect be incorporated in each documentation requirement:
- In meeting the documentation requirements of ISA 230[fnX], the auditor shall include in the audit documentation...
- [fnX] ISA 230, “Audit Documentation,” paragraphs 8-11.
25. In addition to consistency of drafting, this has the benefit of removing any doubt as to the relationship between documentation requirements in individual ISAs and the obligation of the auditor under ISA 230. Proposed changes to the ISAs are shown in **Attachment 6**.

VII. Permitted vs. Prohibited

26. The ISAs are generally inconsistent in respect of reference to laws and regulations that restrict the actions of the auditor. For example, the ISAs variously use the following:
- “...permitted by laws and regulations”
 - “...where legally permitted”
 - “...legally possible”
 - “...unless prohibited by law or regulation”, etc.
27. In the majority of cases, the ISAs use ‘permitted’ or ‘possible’ in reference to withdrawal from the engagement. This is in contrast to the use of ‘prohibited’ which is used fairly consistently in connection with matters other than withdrawal, for example in reference to communications by the auditor.
28. For consistency, the following is recommended:
- In connection with withdrawal, use ‘*where possible under applicable law and regulation*’. This also avoids suggesting that withdrawal must be explicitly permitted.
 - In connection with other circumstances, retain ‘*unless prohibited*’ (it seems to be the correct word in the majority of cases).

However, to accommodate differences in legal structures, it is also recommended that ISA 200 explain that prohibition may be explicit or implicit, depending on the jurisdiction. Proposed wording at the end of paragraph A73 of ISA 200 is as follows:

A73. Within a relevant ISA, there may be conditional requirements. Such a requirement is relevant when the circumstances envisioned in the requirement apply and the condition exists. In general, the conditionality of a requirement will either be explicit or implicit, for example:...

In some cases, a requirement may be expressed as being conditional on applicable law or regulation. For example, the auditor may be required to withdraw from the audit engagement, where withdrawal is possible under applicable law or regulation, or the auditor may be required to do something, unless prohibited by law or regulation. Depending on the jurisdiction, the legal or regulatory permission or prohibition may be explicit or implicit.

All references to ‘permitted’ and ‘prohibited’ in the ISAs are shown in **Attachment 7**, together with proposed changes where applicable.

VIII. Resign vs. Withdraw

29. ISAs 600, 705 and 706 refer to the auditor’s *resignation* from an engagement. All other ISAs refer to *withdrawal*. For consistency, the following is recommended:

- To change ‘resign’ to ‘withdraw.’ Proposed changes to ISAs 600, 705 and 706 are show in **Attachment 7**.
- To clarify at the first reference to ‘withdraw’ that, for purposes of the ISAs, the term has the same meaning as ‘resign.’ Proposed change to ISA 200 is as follows:

12. 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 ISAs require that the auditor disclaim an opinion or withdraw (or resign) [fn3] from the engagement, where withdrawal is legally permitted.

[fn3] In the ISAs, only the term “withdrawal” is used.

IX. Conditionality in Requirements

30. The ISAs are generally inconsistent in respect of the use of “if”, “when”, and “where” when expressing conditionality in requirements.

31. Subject to some flexibility as appropriate in the context, the following general approach is recommended for purpose of consistency (emphasis is placed on seeing that ‘if’ statements are consistent in the requirements):

- Use “if” in circumstance where it is unknown if the condition will exist or not (“If the entity has an internal audit function, the auditor shall...”)
- Use “when” in temporal circumstances where the condition will definitely happen at some point (e.g., “When the auditor performs risk assessment procedures, the auditor shall...”)
- Sparingly, use “where” to describe ‘in the situation or circumstances in which’.

32. Proposed changes to the requirements of ISAs are show in marked text in **Attachment 8**.

X. Reference to ‘Modified Opinion’, ‘Qualified Opinion’, ‘Modified Report’, etc.

33. It has been questioned whether the ISAs are consistent (and accurate) in terms of references to ‘modification to the auditor’s opinion’ (versus, for example, modification to the auditor’s report), and in referring to modification in general versus the type of modification.
34. In all but a few instances, the ISAs appear correct and make the appropriate reference in the context. **Attachment 9** lists all instances in the ISAs where reference to other than ‘modification to the auditor’s opinion’ is made, together with proposed changes, if any.

XI. Further Audit Procedures

35. ISA 330 requires that the auditor “design and perform further audit procedures whose nature, timing, and extent are based on and responsive to the assessed risks of material misstatement at the assertion level.” Except for ISAs 505 and 620, the ISAs make reference to ‘further audit procedures’ in the context of responding to assessed risks.
36. It is proposed that references to ISAs 505 and 620 be amended to remove reference to ‘further audit procedures.’ Proposed changes are shown in **Attachment 10**.

XII. Reference to ISQC 1 and Relevant Ethical Requirements

ISQC 1

37. ISA 220 now permits jurisdiction that adopt the ISAs to comply with either ISQC 1 or national requirements that are at least as demanding. Certain other ISAs, however, also refer to ISQC 1 (mainly to specific provisions within that standard).
38. While it would not be appropriate to remove such references, it is proposed that the individual ISAs give recognition to the same general provision as is now established in ISA 220.
39. Proposed changes to ISAs 200, 230, 600 and 620 are shown in **Attachment 11**.

Relevant Ethical Requirements

40. ISA 220 now defines the term “relevant ethical requirements.” ISA 200 establishes the auditor’s responsibility to comply with relevant ethical requirements, and makes reference to what ordinarily comprises relevant ethical requirements (mainly for purposes of context to the additional guidance that it is provided.)
41. Only ISAs 260 and 620 repeat reference to the components of the definition of relevant ethical requirements. These do not appear necessary and it may be helpful if this repetition was eliminated. In other cases, references to relevant ethical requirements are more generic and therefore no changes are proposed (except as appropriate to refer to ‘*relevant ethical requirements*’). Proposed changes are shown in **Attachment 12**. (For reference, the provisions of ISAs 200 and 600 are shown as well.)
42. It is also noted that paragraph 5(b) of ISA 300 requires some minor amendment to align it better with the final provisions of ISA 220. See proposed change to ISA 300 in **Attachment 12**.

XIII. Definitions

EXPLANATORY MATERIAL ATTACHING TO A DEFINITION

43. Where ISAs include additional guidance pertaining to a definition, they cross refer such guidance between the definition and the ISAs' Application and Other Explanatory Material. The only exception appears in paragraphs A2-A4 of ISA 720 regarding "other information." It is recommended that that material be repositioned as application material to the definition. See proposed change to ISA 720 in **Attachment 13**.

HEADINGS

44. The ISAs use different headings when there is application material attaching to a definition. Some ISA use the defined term in the heading (e.g., 450); others use "Definition(s)" (e.g., 530); others use both (e.g., 550). The following convention is recommended:
- To use "Definition of [term]" when there is material attaching to only one term.
 - To use "Definitions" when there is material for more than one term.

These editorial changes are not shown in Attachment 13.

DUPLICATION

45. The ISAs contain the following duplication in regard to definitions:
- "Fair presentation framework" and "compliance framework" are defined in both ISA 200 and ISA 700.
 - "Audit evidence", "sufficiency" and "appropriateness" in both ISA 200 and ISA 500.
 - "Management" and "those charged with governance" in both ISA 200 and ISA 260.
 - "Misstatements" in both ISA 200 and ISA 450.
 - "Management expert" in both ISA 500 and ISA 620.
46. This duplication arises in part because of the view that these terms are particularly relevant to both the standards in which they are placed. For example, the term 'audit evidence' is equally important to ISA 200 as it is to ISA 500. Furthermore, a few of the definitions (e.g., 'those charge with governance' in ISA 260 and 'misstatement' in ISA 450) have relevant application material attaching to them, or are presented in a slightly different context (e.g., 'frameworks' in ISA 700). Notwithstanding the repetition that exists, it is recommended that the definitions noted in paragraphs above be retained in the respective ISAs. Accordingly, no change is proposed.

XIII. Other Consistency Matters

47. Changes in relation to the following are shown in **Attachment 14**.

LAW OR REGULATION

48. The ISAs are generally consistent in referring to ‘laws and regulations’ in the context of those that affect the entity. However, when referring to law or regulation that may affect the actions or responsibilities of the auditor, the ISAs use ‘laws and regulations’, ‘law or regulation’, ‘laws or regulations’, ‘local laws’, ‘applicable laws and regulation’, etc.”
49. Unless context suggests otherwise, it is recommended that reference be made to ‘law or regulation’ (which is more generic than the plural form) in connection with law or regulation pertaining to the auditor.

INTERNAL AUDIT

50. There is inconsistency in reference to “Objectives”, “Role and Objectives”, Scope and Objectives” of internal audit function between paragraph 3 and the heading above paragraph A3 of ISA 610, and paragraph A96b of ISA 315. It is proposed that reference be made only to ‘objectives of the internal audit function,’ to make ISA 610 consistent with ISA 315. See proposed changes to ISA 610.

WORD SEARCH

51. Word searches (having regard to context) have been undertaken for the following arising from finalization of recent ISAs:
- “financial statements” vs. “financial statements as a whole”
 - “preparation of the financial statements” vs. “preparation and presentation of the financial statements”
 - “basis for the opinion” vs. “basis of the opinion”
 - Present(s) fairly, in all material respects, or give(s) a true and fair view
 - “related notes” vs. “related explanatory information”
 - “design, implement and maintain internal control” vs. “design and maintain internal control”
 - “summary of significant accounting policies and other explanatory information” vs. “summary of significant accounting policies and other explanatory notes”
52. Exceptions noted are listed in Attachment 14, showing proposed changes.

ATTACHMENT 1

(Note: Each of the following Attachments shows proposed changes only in relation to the specific matter described in the respective section at the beginning of this Agenda Item. Changes proposed in one Attachment are not carried forward for purposes of subsequent Attachments. The cumulative effect of all the changes shown in Attachments 1-14 are shown in Agenda Item 4-D.)

In cases where no change is proposed in an Attachment in relation to the matter addressed, this reflects the Task Force’s view that the extant wording is appropriate in the context, notwithstanding an apparent inconsistency. These items are highlighted.

The relevant text in the Attachments has been taken from the final version of the ISAs approved by the IAASB up to and including its September 2008 meeting.)

OBJECTIVES

200

11. 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 ISAs, in accordance with the auditor’s findings.
12. 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 ISAs require that the auditor disclaim an opinion or withdraw from the engagement, where withdrawal is legally permitted.

220

6. 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 applicable legal and regulatory ~~and legal~~ requirements⁷; and
 - (b) The auditor’s report issued is appropriate in the circumstances.

⁷ [Note: This proposed edit is made to align ISA 220 with ISA 230, and to make ISA 220 and ISQC 1 internally consistent. Consequential changes have been made to ISQC paragraphs 11, 29, 31-32, 49, 53, 55, A4, A22, A35, A64-A65, and A74; ISA 220 paragraphs 2, 14, 15, A2-A3, A11, A17, and A34; and ISA 600 paragraph 11. These are shown in the respective standards in Agenda Item 4-D.]

230

5. 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 ISAs and applicable legal and regulatory requirements.

240

10. The objectives of the auditor are:
 - (a) To identify and assess the risks of material misstatement of the financial statements due to fraud;
 - (b) To obtain sufficient appropriate audit evidence ~~regarding about~~ the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
 - (c) To respond appropriately to ~~fraud identified~~ or suspected fraud identified during the audit.

250

10. The objectives of the auditor are:
 - (a) To obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements;
 - (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.

260

5. The objectives of the auditor are ~~to~~:
 - (a) ~~To c~~ommunicate 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;
 - (b) ~~To o~~btain from those charged with governance information relevant to the audit;
 - (c) ~~To p~~rovide 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 p~~romote effective two-way communication between the auditor and those charged with governance. (Ref: Para. A1-A4)

300

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

315

3. 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.

320

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

330

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

450

3. 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.

500

4. 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.

501

3. 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.

505

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

510

3. 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 appropriately⁸ ~~properly~~-accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.

520

3. 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.

530

4. 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.

540

6. The objective of the auditor is to obtain sufficient appropriate audit evidence about whether:
 - (a) accounting estimates, including fair value accounting estimates, in the financial statements, whether recognized or disclosed, are reasonable; and
 - (b) related disclosures in the financial statements are adequate, in the context of the applicable financial reporting framework.

550

9. The objectives of the auditor are:
 - (a) 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 recognize 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

⁸ [Note: Consequential changes have been made to paragraphs 8, 11 and 12(b) of ISA 510 in Agenda Item 4-D.]

- (ii) To conclude, based on the audit evidence obtained, whether the financial statements, insofar as they are affected by those relationships and transactions:
 - a. Achieve fair presentation (for fair presentation frameworks); or
 - b. Are not misleading (for compliance frameworks); and
- (b) 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.

560

4. The objectives of the auditor are ~~to~~:

- (a) ~~To o~~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 in accordance with the applicable financial reporting framework⁹; and
- (b) ~~To r~~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.

570

9. The objectives of the auditor are:

- (a) To obtain sufficient appropriate audit evidence regarding~~about~~ the appropriateness of management's use of the going concern assumption in the preparation and presentation 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 determine the implications for the auditor's report.

580

6. The objectives of the auditor are:

- (a) To obtain written representations from management that management believes that it has fulfilled the fundamental responsibilities that constitute the premise on which an audit is conducted;
- (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 ISAs; and

⁹ [Note: Consequential changes have been made to paragraph 8 of ISA 560 in Agenda Item 4-D].

- (c) To respond appropriately to written representations provided by management or if management does not provide the written representations requested by the auditor.

600

8. The objectives of the auditor are:

- (a) To determine whether to act as the auditor of the group financial statements; and
- (b) If acting as the auditor of the group financial statements:
 - (i) To communicate clearly with component auditors about the scope and timing of their work on financial information related to components and their findings; and
 - (ii) To obtain sufficient appropriate audit evidence regarding~~about~~ the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

610

6. The objectives of the external auditor, where the entity has an internal audit function that the external auditor has determined is likely to be relevant to the audit, are ~~to determine~~:

- (a) To determine w~~Whether~~, and to what extent, to use specific work of the internal auditors; and
- (b) If using the specific work of the internal auditors~~se~~, to determine whether that~~such~~ work is adequate for the purposes of the audit.

620

5. 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.

700

6. The objectives of the auditor are ~~to~~:

- (a) To f~~Form~~ an opinion on the financial statements based on an evaluation of the conclusions drawn from the audit evidence obtained; and
- (b) To e~~Express~~ clearly that opinion through a written report that also describes the basis for that~~the~~ opinion.

705

4. 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.

706

- 4. 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.

710

- 5. 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.

720

- 4. The objective of the auditor is to respond appropriately when documents containing audited financial statements and the auditor's report thereon include other information that could undermine the credibility of those financial statements and the auditor's report.

800

- 5. The objective of the auditor, when applying ISAs 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.

805

- 5. The objective of the auditor, when applying ISAs in an audit of a single financial statement or of a specific element, account or item of a financial statement, 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 single financial statement or on the specific element, account or item of a financial statement.

810

3. The objectives of the auditor are ~~to~~:

(a) To d~~D~~etermine whether it is appropriate to accept the engagement to report on summary financial statements; and

(b) If engaged to report on summary financial statements:

(i) To f~~F~~orm an opinion on the summary financial statements based on an evaluation of the conclusions drawn from the evidence obtained; and

(iie) To e~~E~~xpress clearly that opinion through a written report that also describes the basis for that opinion.

ATTACHMENT 2

SCOPE PARAGRAPHS

200

1. This International Standard on Auditing (ISA) ~~deals~~establishes with the independent auditor's overall responsibilities when conducting an audit of financial statements in accordance with ISAs. 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 ISAs, and includes requirements establishing the general responsibilities of the independent auditor applicable in all audits, including the obligation to comply with the ISAs. The independent auditor is referred to as "the auditor" hereafter.
2. ISAs 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.

220

1. This International Standard on Auditing (ISA) deals with the auditor's 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. This ISA is to be read in conjunction with relevant ethical requirements.

230

1. This International Standard on Auditing (ISA) 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 Appendix lists other ISAs that contain specific documentation requirements and guidance. The specific documentation requirements of other ISAs do not limit the application of this ISA. Laws or regulations may establish additional documentation requirements.

240

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

250

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to consider laws and regulations in when performing an audit of financial statements. This ISA 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.

260

1. This International Standard on Auditing (ISA) deals with the auditor’s responsibility to communicate with those charged with governance in ~~relation to~~ an audit of financial statements. Although this ISA 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 ISA 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.
2. This ISA is written in the context ~~has been drafted in terms~~ 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 and presentation of the other historical financial information.
3. Recognizing the importance of effective two-way communication in during an audit of financial statements, this ISA 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 ISA, are identified in other ISAs (see Appendix 1). Further matters, not required by this or other ISAs, may be required to be communicated by laws or regulations, 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 ISA precludes the auditor from communicating any other matters to those charged with governance. (Ref: Para. A28-A31)

300

1. This International Standard on Auditing (ISA) deals with the auditor’s responsibility to plan an audit of financial statements. This ISA is written framed in the context of recurring audits. Additional considerations in an initial audit engagements are separately identified. (Ref: Para. A1-A4)

315

1. This International Standard on Auditing (ISA) 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.

320

1. This International Standard on Auditing (ISA) deals with the auditor’s responsibility to apply the concept of materiality in planning and performing an audit of financial statements. ISA 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.

330

1. This International Standard on Auditing (ISA) 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 ISA 315 in an audit of financial statements ~~audit~~.

450

1. This International Standard on Auditing (ISA) 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. ISA 700 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 ISA 700 takes into account the auditor's evaluation of uncorrected misstatements, if any, on the financial statements, in accordance with this ISA. ISA 320 deals with the auditor's responsibility to apply the concept of materiality appropriately in planning and performing an audit of financial statements.

500

1. This International Standard on Auditing (ISA) 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.
2. This ISA is applicable to all the audit evidence obtained during the course of the audit. Other ISAs deal with specific aspects of the audit (for example, ISA 315), the audit evidence to be obtained in relation to a particular topic (for example, ISA 570), specific procedures to obtain audit evidence (for example, ISA 520), and the evaluation of whether sufficient appropriate audit evidence has been obtained (ISA 200 and ISA 330).

501

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

505

1. This International Standard on Auditing (ISA) deals with the auditor's use of external confirmation procedures to obtain audit evidence in accordance with the requirements of ISA 330 and ISA 500. It does not address inquiries regarding litigation and claims, which are dealt with in- ~~ISA 501-deals with obtaining sufficient appropriate audit evidence from such inquiries.~~¹⁰

¹⁰ [Note: Edit proposed, as the extant wording is not wholly consistent with ISA 501.]

510

1. This International Standard on Auditing (ISA) deals with the auditor’s responsibilities relating to opening balances ~~in 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 ISA 710 also apply. ISA 300 includes additional requirements and guidance regarding activities prior to starting an initial audit.

520

1. This International Standard on Auditing (ISA) deals with the auditor’s use of analytical procedures as substantive procedures (“substantive analytical procedures”). ~~It also deals with, and the auditor’s responsibility to perform analytical as~~ procedures near the end of the audit that assist the auditor when forming an overall conclusion on the financial statements. ~~ISA 315 deals with t~~The use of analytical procedures as risk assessment procedures ~~is dealt with in ISA 315 (Redrafted).~~¹¹ ISA 330 (Redrafted) 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.

530

1. This International Standard on Auditing (ISA) 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.
2. This ISA complements ISA 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 auditor’s opinion. ISA 500 provides guidance on the means available to the auditor for selecting items for testing, of which audit sampling is one means.

540

1. This International Standard on Auditing (ISA) deals with the auditor’s responsibilities ~~relating to regarding~~ accounting estimates, including fair value accounting estimates, and related disclosures in an audit of financial statements. Specifically, it expands on how ISA 315 and ISA 330 and other relevant ISAs 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.

550

1. This International Standard on Auditing (ISA) deals with the auditor’s responsibilities ~~relating to regarding~~ related party relationships and transactions ~~in when performing~~ an

¹¹ [Note: Edit proposed to remove passive voice, and make consistent with sentence that follows.]

audit of financial statements. Specifically, it expands on how ISA 315, ISA 330, and ISA 240 are to be applied in relation to risks of material misstatement associated with related party relationships and transactions.

560

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to subsequent events in an audit of financial statements. (Ref: Para. A1)

570

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities in the audit of financial statements ~~relating with respect~~ to management's use of the going concern assumption in the preparation and presentation of the financial statements.

580

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to obtain written representations from management and, where appropriate, those charged with governance in an audit of financial statements.
2. Appendix 1 lists other ISAs containing subject-matter specific requirements for written representations. The specific requirements for written representations of other ISAs do not limit the application of this ISA.

600

1. The International Standards on Auditing (ISAs) apply to group audits. This ISA deals with special considerations that apply to group audits, in particular those that involve component auditors.

610

1. This International Standard on Auditing (ISA) deals with the external auditor's responsibilities ~~relating to regarding~~ the work of internal auditors when the external auditor has determined, in accordance with ISA 315, that the internal audit function is likely to be relevant to the audit. (Ref: Para. A1-A2)

620

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities ~~relating to regarding~~ the ~~work use~~ of an individual or organization'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.
2. This ISA does not deal with:
 - (a) Situations where the engagement team includes a member with expertise in a specialized area of accounting or auditing, which is dealt with in ISA 220; or
 - (b) The auditor's use of the work of an individual or organization 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 ISA 500.

700

1. This International Standard on Auditing (ISA) 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.
2. ISA 705 and ISA 706 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.
3. This ISA is written in the context of a complete set of general purpose financial statements. ISA 800 deals with special considerations when financial statements are prepared in accordance with a special purpose framework. ISA 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.
4. This ISA promotes consistency in the auditor's report. Consistency in the auditor's report, when the audit has been conducted in accordance with ISAs, 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.

705

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to issue an appropriate report in circumstances when, in forming an opinion in accordance with ISA 700, the auditor concludes that a modification to the auditor's opinion on the financial statements is necessary.

706

1. This International Standard on Auditing (ISA) 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.

710

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities ~~relating to 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 ISA 510 regarding opening balances also apply.

720

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities ~~relating in relation~~ to other information¹² in documents containing audited financial statements and the auditor's report thereon. In the absence of any separate requirement in the particular circumstances of the engagement, the auditor's opinion does not cover other information and the auditor has no specific responsibility for determining whether or not other information is properly stated. However, the auditor reads the other information because the credibility of the audited financial statements may be undermined by material inconsistencies between the audited financial statements and other information. (Ref: Para. A1)
2. In this ISA "documents containing audited financial statements" refers to annual reports (or similar documents), that are issued to owners (or similar stakeholders), containing audited financial statements and the auditor's report thereon. This ISA may also be applied, adapted as necessary in the circumstances, to other documents containing audited financial statements, such as those used in securities offerings. (Ref: Para. A2-A4)

800

1. The International Standards on Auditing (ISAs) in the 100-700 series apply to an audit of financial statements. This ISA deals with special considerations in the application of those ISAs to an audit of financial statements prepared in accordance with a special purpose framework.
2. This ISA is written in the context of a complete set of financial statements prepared in accordance with a special purpose framework. ISA 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.
3. This ISA does not override the requirements of the other ISAs; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

805

1. The International Standards on Auditing (ISAs) in the 100-700 series apply to an audit of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This ISA deals with special considerations in the application of those ISAs to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, ISA 800 also applies to the audit. (Ref: Para. A1-A4)

¹² [Note: Title of ISA 720 would be restated as: "The Auditor's Responsibilities ~~Relating in Relation~~ to Other Information in Documents Containing Audited Financial Statements."]

2. This ISA does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of group financial statements (see ISA 600).
3. This ISA does not override the requirements of the other ISAs; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

810

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to when undertaking an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs by that same auditor.

ATTACHMENT 3

OTHER PARAGRAPHS IN INTRODUCTION SECTIONS

300

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to plan an audit of financial statements. This ISA is framed in the context of recurring audits. Additional considerations in initial audit engagements are separately identified. *(Ref: Para. A1-A4)*

The Role and Timing of Planning

- 1aA1.* 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: *(Ref: Para. A2-A4)*

- 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.

Effective Date

2. This ISA...

The Role and Timing of Planning (Ref: Para. 1a)

[Note: Paragraph A1 moved to new 1a above.]

- A2. 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.
- A3. 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)...

250

Responsibility for Compliance with Laws and Regulations (Ref: Para. A1-A6)

~~Responsibility of Management for Compliance with Laws and Regulations~~

3. It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements. (~~Ref: Para. A1-A2~~)

Responsibility of the Auditor (~~Ref: Para. A3-A6~~)

4. The requirements in this ISA 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.

560

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to subsequent events in an audit of financial statements. (Ref: Para. A1)

Subsequent Events

2. 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...

570

Going Concern Assumption [**Note:** *Heading now elevated one level.*]

2. Under the going concern assumption, an entity is viewed as continuing in business for the foreseeable future. General purpose financial statements are prepared...on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business. (Ref: Para. A1)

Responsibility for Assessment of the Entity's Ability to Continue as a Going Concern

Responsibilities of Management

3. Some financial reporting frameworks contain an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern, and standards regarding matters to be considered and disclosures to be made in connection with going concern. For example...

Responsibilities of the Auditor

6. The auditor's responsibility is to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption...

260

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to communicate with those charged with governance in relation to an audit of financial statements....
3. Recognizing the importance of effective two-way communication during an audit of financial statements, this ISA provides an overarching framework for the auditor's communication with those charged with governance, and identifies some specific matters to be communicated with them....Nothing in this ISA precludes the auditor from communicating any other matters to those charged with governance. (Ref: Para. A28-A31)

The Role of Communication

- 3aA1.** This ISA focuses primarily on communications from the auditor to those charged with governance. Nevertheless, effective two-way communication is important in assisting:
- (a) The auditor and those charged with governance in understanding matters related to the audit in context, and in developing a constructive working relationship. This relationship is developed while maintaining the auditor's independence and objectivity;
 - (b) The auditor in obtaining from those charged with governance information relevant to the audit. For example, those charged with governance may assist the auditor in understanding the entity and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events; and
 - (c) Those charged with governance in fulfilling their responsibility to oversee the financial reporting process, thereby reducing the risks of material misstatement of the financial statements.
- 3bA2.** Although the auditor is responsible for communicating matters required by this ISA, 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.
- 3cA3.** Clear communication of specific matters required to be communicated by ISAs is an integral part of every audit. ISAs do not, however, require the auditor to perform procedures specifically to identify any other matters to communicate with those charged with governance.
- 3dA4.** Laws or regulations 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.

ATTACHMENT 4

‘MANAGEMENT IS RESPONSIBLE’

240

4. The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behavior which can be reinforced by an active oversight by those charged with governance. ~~In exercising oversight by responsibility,~~ those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of analysts as to the entity’s performance and profitability.
- A19. Those charged with governance ~~of an entity oversee have oversight responsibility for the~~ entity’s systems for monitoring risk, financial control and compliance with the law. In many countries, corporate governance practices are well developed and those charged with governance play an active role in oversight of the entity’s assessment of the risks of fraud and of the relevant internal control. Since the responsibilities of those charged with governance and management may vary by entity and by country, it is important that the auditor understands their respective responsibilities...
- A45. ~~The In preparing preparation of the~~ financial statements requires; management to is ~~responsible for making~~ a number of judgments or assumptions that affect significant accounting estimates and for monitoring the reasonableness of such estimates on an ongoing basis. Fraudulent financial reporting is often accomplished through intentional misstatement of accounting estimates....

250

3. It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity’s operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity’s financial statements.
- A1. It is the responsibility of mManagement, with the oversight of those charged with governance, to is responsible for ensuring that the entity’s operations are conducted in accordance with laws and regulations. Laws and regulations may affect an entity’s financial statements in different ways: for example...

260

- A2. Although the auditor is responsible for communicating matters required by this ISA, **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...
- A28. The oversight of management by those charged with governance ~~includes are responsible for~~ ensuring, ~~through oversight of management,~~ that the entity establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.
- A36. Many matters may be discussed with management in the ordinary course of an audit, including matters required by this ISA 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.
- A37. 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.

450

- A24. Because the preparation of the financial statements requires management and, where appropriate, those charged with governance ~~to are responsible for~~ adjusting the financial statements to correct material misstatements, the auditor is required to request them to provide a written representation about uncorrected misstatements. 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...

540

- A16. The preparation of ~~In preparing~~ the financial statements requires, management ~~has the responsibility~~ to determine whether a transaction, event or condition gives rise to the need to make an accounting estimate, and that all necessary accounting estimates have been recognized, measured and disclosed in the financial statements in accordance with the applicable financial reporting framework.
- A22. The preparation of the financial statement also requires ~~m~~Management ~~is responsible for~~ ~~to~~ establishing financial reporting processes for making accounting estimates,

including adequate internal control. Such processes include the following:

- Selecting appropriate accounting policies...

A106. Smaller entities may use simple means to assess the estimation uncertainty.... In such cases, the auditor may explain to management the process or the different methods available for doing so, and the documentation thereof. This would not, however, **change the responsibilities of management** for the preparation and presentation of the financial statements.

550

A16. The audit is conducted on the premise that... are free from material misstatement, whether due to fraud or error. Accordingly, where the framework establishes related party requirements, the preparation of the financial statements requires management, with oversight from those charged with governance, ~~is responsible for the~~ design, implementation and maintenance of adequate controls over related party relationships and transactions so that these are identified and appropriately accounted for and disclosed in accordance with the framework. In their oversight role, those charged with governance ~~are responsible for~~ monitoring how management is discharging its responsibility for such controls. Regardless of any related party requirements the framework may establish, those charged with governance may, in ~~order to fulfill~~ their oversight ~~role~~ responsibilities, obtain information from management to enable them to understand the nature and business rationale of the entity's related party relationships and transactions.

A43. The preparation of the financial statements requires mManagement ~~to is responsible for the~~ substantiation of an assertion that a related party transaction was conducted on terms equivalent to those prevailing in an arm's length transaction. Management's support for the assertion may include:

- Comparing the terms of the related party transaction ...

570

4. In other financial reporting frameworks, there may be no explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern. Nevertheless, since the going concern assumption is a fundamental principle in the preparation of financial statements as discussed in paragraph 2, ~~management's responsibility for~~ the preparation and presentation of the financial statements requires management includes a responsibility to assess the entity's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.

810

A3. The preparation of summary financial statements requires mManagement ~~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...

ATTACHMENT 5

MANAGEMENT AND/OR THOSE CHARGED WITH GOVERNANCE

200

4. 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. ISAs 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 ISAs 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. (Ref: Para. A2-A11)

240

4. The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place...
12. In accordance with ISA 200, the auditor shall maintain an attitude of professional skepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance. (Ref: Para. A7-A8)
14. Where responses to inquiries of management or those charged with governance are inconsistent, the auditor shall investigate the inconsistencies.
15. ISA 315 (Redrafted) requires a discussion among the engagement team members and a determination by the engagement partner of which matters are to be communicated to those team members not involved in the discussion.... The discussion shall occur setting aside beliefs that the engagement team members may have that management and those charged with governance are honest and have integrity. (Ref: Para. A10-A11)
20. Unless all of those charged with governance are involved in managing the entity¹³, the auditor shall obtain 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. (Ref: Para. A19-A21)
21. Unless all of those charged with governance are involved in managing the entity, tThe auditor shall make inquiries of those charged with governance to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries are made in part to corroborate the responses to the inquiries of management.

¹³ [ISA 260, "Communication with Those Charged with Governance," paragraph 9.](#)

38. If, as a result of a misstatement resulting from fraud or suspected fraud, the auditor encounters exceptional circumstances that bring into question the auditor's ability to continue performing the audit, the auditor shall:
- (c) If the auditor withdraws:
 - (i) Discuss with the appropriate level of **management and those charged with governance** the auditor's withdrawal from the engagement and the reasons for the withdrawal; and...
40. If the auditor has identified a fraud or has obtained information that indicates that a fraud may exist, the auditor shall communicate these matters 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 of matters relevant to their responsibilities. (Ref: Para. A59)
41. **Unless all of those charged with governance are involved in managing the entity**, if the auditor has identified or suspects fraud involving:
- (a) management;
 - (b) employees who have significant roles in internal control; or
 - (c) others where the fraud results in a material misstatement in the financial statements,

the auditor shall communicate these matters to **those charged with governance** on a timely basis. If the auditor suspects fraud involving management, the auditor shall communicate these suspicions to those **charged with governance** and discuss with them the nature, timing and extent of audit procedures necessary to complete the audit. (Ref: Para. A60-A62)

42. The auditor shall communicate with **those charged with governance** any other matters related to fraud that are, in the auditor's judgment, relevant to their responsibilities. (Ref: Para. A63)

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3. It is the responsibility of **management, with the oversight of those charged with governance**, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements.
14. The auditor shall perform 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:
- (a) Inquiring of **management and, where appropriate, those charged with governance**, as to whether the entity is in compliance with such laws and regulations; and

- (b) Inspecting correspondence, if any, with the relevant licensing or regulatory authorities. (Ref: Para. A9-A10)
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)
19. If the auditor suspects there may be non-compliance, the auditor shall discuss 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, the auditor shall consider the need to obtain legal advice. (Ref: Para. A15-A16)
22. Unless all of those charged with governance are involved in management of the entity, and therefore are aware of matters involving identified or suspected non-compliance already communicated by the auditor,¹⁴ the auditor shall communicate with those charged with governance matters involving non-compliance 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.
23. If, in the auditor's judgment, the non-compliance referred to in paragraph 22 is believed to be intentional and material, the auditor shall communicate the matter to those charged with governance as soon as practicable.
24. If the auditor suspects that management or those charged with governance are involved in non-compliance, the auditor shall communicate the matter to the next higher level of authority at the entity, if it exists, such as an audit committee or supervisory board....
26. If 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, the auditor shall express a qualified opinion or...
27. If the auditor is unable to determine whether non-compliance has occurred because of limitations imposed by the circumstances rather than by management or those charged with governance, the auditor shall evaluate the effect on the auditor's opinion in accordance with ISA 705.
29. The auditor shall document identified or suspected non-compliance with laws and regulations and the results of discussion with management and, where applicable, those charged with governance and other parties outside the entity. (Ref: Para. A21)

¹⁴ ISA 260, "Communication with Those Charged with Governance," paragraph 9.

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- 4(c) Internal control – The process designed, implemented and maintained by ~~those charged with governance, management and~~ other personnel, with the oversight of those charged with governance, to provide reasonable assurance about the achievement of an entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term “controls” refers to any aspects of one or more of the components of internal control.
14. The auditor shall obtain an understanding of the control environment. As part of obtaining this understanding, the auditor shall evaluate whether:
- (a) Management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behavior; and
19. The auditor shall obtain an 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...

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8. The auditor shall communicate on a timely basis all misstatements accumulated during the audit with the appropriate level of management, unless prohibited by law or regulation.¹⁵ The auditor shall request management to correct those misstatements. (Ref: Para. A7-A9)
9. If management refuses to correct some or all of the misstatements communicated by the auditor, the auditor shall obtain an understanding of management’s reasons for not making the corrections and shall take that understanding into account when evaluating whether the financial statements as a whole are free from material misstatement. (Ref: Para. A10)
12. The auditor shall communicate 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.¹⁶ The auditor’s communication shall identify material uncorrected misstatements individually. The auditor shall request that uncorrected misstatements be corrected. (Ref: Para. A21-A23)
13. The auditor shall also communicate 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.

¹⁵ ISA 260, “Communication with Those Charged with Governance,” paragraph A4.

¹⁶ See footnote 3.

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9. If the auditor concludes that 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, the auditor shall communicate with **those charged with governance** in accordance with ISA 260 (Revised and Redrafted).¹⁷ The auditor also shall determine the implications for the audit and the auditor’s opinion in accordance with ISA 705 (Revised and Redrafted).¹⁸

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7. If the auditor obtains audit evidence that the opening balances contain misstatements that could materially affect the current period’s financial statements, the auditor shall perform such additional audit procedures as are appropriate in the circumstances to determine the effect on the current period’s financial statements. If the auditor concludes that such misstatements exist in the current period’s financial statements, the auditor shall communicate the misstatements with the appropriate level of **management and those charged with governance** in accordance with ISA 450.¹⁹

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27. **Unless all of those charged with governance are involved in managing the entity²⁰, the auditor shall communicate with those charged with governance** significant matters arising during the audit in connection with the entity’s related parties. (Ref: Para. A50)

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7. The auditor shall perform 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. The auditor shall take into account the auditor’s risk assessment in determining the nature and extent of such audit procedures, which shall include the following: (Ref: Para. A7-A8)
 - (a) Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified.
 - (b) Inquiring of **management and, where appropriate, those charged with governance** as to whether any subsequent events have occurred which might affect the financial statements. (Ref: Para. A9)
 - (c) 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. (Ref: Para. A10)

¹⁷ ISA 260, “Communication with Those Charged with Governance,” paragraph 12.

¹⁸ ISA 705, “Modifications to the Opinion in the Independent Auditor’s Report.”

¹⁹ ISA 450, “Evaluation of Misstatements Identified during the Audit,” paragraphs 8 and 12.

²⁰ [ISA 260, “Communication with Those Charged with Governance,” paragraph 9.](#)

10. The auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor’s report. However, when, after the date of the auditor’s report but before the date the financial statements are issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor’s report, may have caused the auditor to amend the auditor’s report, the auditor shall: (Ref: Para. A11)
- (a) Discuss the matter with **management and, where appropriate, those charged with governance**....
13. In some jurisdictions, management may not be required by law, regulation or the financial reporting framework to issue amended financial statements and, accordingly, the auditor need not provide an amended or new auditor’s report. However, when management does not amend the financial statements in circumstances where the auditor believes they need to be amended, then: (Ref: Para. A13-A14)
- (b) If the auditor’s report has already been provided to the entity, the auditor shall notify **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....
14. After the financial statements have been issued, the auditor has no obligation to perform any audit procedures regarding such financial statements. However, when, after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor’s report, may have caused the auditor to amend the auditor’s report, the auditor shall:
- (a) Discuss the matter with **management and, where appropriate, those charged with governance**....
16. The auditor shall include 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.
17. If management does not take the necessary steps to ensure that anyone in receipt of the previously issued financial statements is informed of the situation and does not amend the financial statements in circumstances where the auditor believes they need to be amended, the auditor shall notify **management and, unless all of those charged with governance are involved in managing the entity²¹, those charged with governance**, that the auditor will seek to prevent future reliance on the auditor’s report. If, despite such notification, **management or those charged with governance** do not take these necessary steps, the auditor shall take appropriate action to seek to prevent reliance on the auditor’s report. (Ref: Para. A18)

²¹ [ISA 260, “Communication with Those Charged with Governance.” paragraph 9.](#)

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23. Unless all those charged with governance are involved in managing the entity²², the auditor shall communicate with those charged with governance events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern. Such communication with those charged with governance shall include the following...:

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3. The role and objectives of the internal audit function are determined by management and, where applicable, those charged with governance. While the objectives of the internal audit function and the external auditor are different....

705

12. If management refuses to remove the limitation referred to in paragraph 11, the auditor shall communicate the matter to those charged with governance, unless all of those charged with governance are involved in managing the entity²³, and determine whether it is possible to perform alternative procedures to obtain sufficient appropriate audit evidence.
14. If the auditor resigns as contemplated by paragraph 13(b)(i), before resigning, the auditor shall communicate to those charged with governance any matters regarding misstatements identified during the audit that would have given rise to a modification of the opinion. (Ref: Para. A15)
28. When the auditor expects to modify the opinion in the auditor's report, the auditor shall communicate with those charged with governance the circumstances that led to the expected modification and the proposed wording of the modification. (Ref: Para. A25)

706

9. If the auditor expects to include an Emphasis of Matter or an Other Matter paragraph in the auditor's report, the auditor shall communicate with those charged with governance regarding this expectation and the proposed wording of this paragraph. (Ref: Para. A12)

710

18. 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, unless all of those charged with governance are involved in managing the entity²⁴, 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 on the amended financial

²² ISA 260, "Communication with Those Charged with Governance," paragraph 9.

²³ ISA 260, "Communication with Those Charged with Governance," paragraph 9.

²⁴ ISA 260, "Communication with Those Charged with Governance," paragraph 9.

statements of the prior period, the auditor shall report only on the current period. (Ref: Para. A11)

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7. The auditor shall make appropriate arrangements with **management or those charged with governance** to obtain the other information prior to the date of the auditor’s report. If it is not possible...
10. When revision of the other information is necessary and management refuses to make the revision, the auditor shall communicate this matter to those charged with governance, unless all of those charged with governance are involved in managing the entity²⁵; and
 - (a) Include in the auditor’s report...
13. When revision of the other information is necessary, but management refuses to make the revision, the auditor shall **notify those charged with governance**, unless all of those charged with governance are involved in managing the entity, of the auditor’s concern regarding the other information and take any further appropriate action. (Ref: Para. A9)
16. When the auditor concludes that there is a material misstatement of fact in the other information which management refuses to correct, the auditor shall **notify those charged with governance**, unless all of those charged with governance are involved in managing the entity, of the auditor’s concern regarding the other information and take any further appropriate action. (Ref: Para. A11)

²⁵ ISA 260, “Communication with Those Charged with Governance,” paragraph 9.

ATTACHMENT 6

DOCUMENTATION

220

24. In meeting the documentation requirements of ISA 230²⁶, tThe auditor shall include in the audit documentation:
- (a) Issues identified with respect to compliance with relevant ethical requirements and how they were resolved.
 - (b) Conclusions on compliance with independence requirements that apply to the audit engagement, and any relevant discussions with the firm that support these conclusions.
 - (c) Conclusions reached regarding the acceptance and continuance of client relationships and audit engagements.
 - (d) The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the audit engagement. (Ref: Para. A35)
25. The engagement quality control reviewer shall document, for the audit engagement reviewed, that:
- (a) The procedures required by the firm’s policies on engagement quality control review have been performed;
 - (b) The engagement quality control review has been completed on or before the date of the auditor’s report; and
 - (c) 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.

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44. In meeting the documentation requirements of ISA 230²⁷, tThe auditor’s shall include the following in the audit documentation of the auditor’s understanding of the entity and its environment and the assessment of the risks of material misstatement required by ISA 315 shall include:
- (a) The significant decisions reached during the discussion among the engagement team regarding the susceptibility of the entity’s financial statements to material misstatement due to fraud; and
 - (b) The identified and assessed risks of material misstatement due to fraud at the financial statement level and at the assertion level.
45. The auditor’s shall include the following in the audit documentation of the auditor’s

²⁶ ISA 230, “Audit Documentation,” paragraphs 8-11.

²⁷ ISA 230, “Audit Documentation,” paragraphs 8-11.

responses to the assessed risks of material misstatement required by ISA 330 ~~shall include:~~

- (a) 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 with the assessed risks of material misstatement due to fraud at the assertion level; and
- (b) The results of the audit procedures, including those designed to address the risk of management override of controls.

46. The auditor shall include in the audit documentation communications about fraud made to management, those charged with governance, regulators and others.

47. When the auditor has concluded that the presumption that there is a risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement, the auditor shall include in the audit documentation the reasons for that conclusion.

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29. In meeting the documentation requirements of ISA 230²⁸, t~~he~~ auditor shall include in the audit documentation identified or suspected non-compliance with laws and regulations and the results of discussion with management and, where applicable, those charged with governance and other parties outside the entity. (Ref: Para. A21)

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19. Where matters required by this ISA to be communicated are communicated orally, the auditor shall, in meeting the documentation requirements of ISA 230²⁹, include them in the audit documentation ~~them~~, and when and to whom they were communicated. Where matters have been communicated in writing, the auditor shall retain a copy of the communication as part of the audit documentation. (Ref: Para. A49)

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11. In meeting the documentation requirements of ISA 230³⁰, t~~he~~ auditor shall include in the audit documentation:

- (a) The overall audit strategy;
- (b) The audit plan; and
- (c) Any significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes. (Ref: Para. A17-A20)

315

33. In meeting the documentation requirements of ISA 230³¹, T~~he~~ auditor shall include in the audit documentation:

²⁸ ISA 230, “Audit Documentation,” paragraphs 8-11.

²⁹ ISA 230, “Audit Documentation,” paragraphs 8-11.

³⁰ ISA 230, “Audit Documentation,” paragraphs 8-11.

- (a) The discussion among the engagement team where required by paragraph 10, and the significant decisions reached;
- (b) Key elements of the understanding obtained regarding each of the aspects of the entity and its environment specified in paragraph 11 and of each of the internal control components specified in paragraphs 14-23; the sources of information from which the understanding was obtained; and the risk assessment procedures performed;
- (c) The identified and assessed risks of material misstatement at the financial statement level and at the assertion level as required by paragraph 24; and
- (d) The risks identified, and related controls about which the auditor has obtained an understanding, as a result of the requirements in paragraphs 26-29. (Ref: Para. A127-A130)

320

14. In meeting the documentation requirements of ISA 230³², the auditor shall include in the audit documentation ~~shall include~~ the following amounts and the factors considered in their determination:
- (a) Materiality for the financial statements as a whole (see paragraph 10);
 - (b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures (see paragraph 10);
 - (c) Performance materiality (see paragraph 11); and
 - (d) Any revision of (a)-(c) as the audit progressed (see paragraphs 12-13).

330

29. In meeting the documentation requirements of ISA 230³³, the auditor shall include in the audit documentation:
- (a) 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;
 - (b) The linkage of those procedures with the assessed risks at the assertion level; and
 - (c) The results of the audit procedures, including the conclusions where these are not otherwise clear. (Ref: Para. A59)
30. If the auditor plans to use audit evidence about the operating effectiveness of controls obtained in previous audits, the auditor shall include in the audit documentation the conclusions reached about relying on such controls that were tested in a previous audit.

³¹ ISA 230, “Audit Documentation,” paragraphs 8-11.

³² ISA 230, “Audit Documentation,” paragraphs 8-11.

³³ ISA 230, “Audit Documentation,” paragraphs 8-11.

31. The auditors' documentation shall demonstrate that the financial statements agree or reconcile with the underlying accounting records.

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15. In meeting the documentation requirements of ISA 230³⁴, the auditor shall include in the audit documentation ~~shall include~~: (Ref: Para. A25)
- (a) The amount below which misstatements would be regarded as clearly trivial (paragraph 5);
 - (b) All misstatements accumulated during the audit and whether they have been corrected (paragraphs 5, 8 and 12); and
 - (c) The auditor's conclusion as to whether uncorrected misstatements are material, individually or in aggregate, and the basis for that conclusion (paragraph 11).

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23. In meeting the documentation requirements of ISA 230³⁵, the auditor shall include in the audit documentation ~~shall include~~:
- (a) The basis for the auditor's conclusions about the reasonableness of accounting estimates and their disclosure that give rise to significant risks; and
 - (b) Indicators of possible management bias, if any. (Ref: Para. A128)

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28. In meeting the documentation requirements of ISA 230³⁶ ~~and other ISAs~~, the auditor shall include in the audit documentation the names of the identified related parties and the nature of the related party relationships.

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50. In meeting the documentation requirements in ISA 230³⁷ and other ISAs, the group engagement team shall also include in the audit documentation the following matters:
- (a) An analysis of components, indicating those that are significant, and the type of work performed on the financial information of the components.
 - (b) The nature, timing and extent of the group engagement team's involvement in the work performed by the component auditors on significant components including, where applicable, the group engagement team's review of relevant parts of the component auditors' audit documentation and conclusions thereon.

³⁴ ISA 230, "Audit Documentation," paragraphs 8-11.

³⁵ ISA 230, "Audit Documentation," paragraphs 8-11.

³⁶ ISA 230, "Audit Documentation," paragraphs 8-11.
paragraphs 8-11.

³⁷ ISA 230, "Audit Documentation," paragraphs 8-11.

- (c) Written communications between the group engagement team and the component auditors about the group engagement team’s requirements.

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- 13. When the external auditor uses specific work of the internal auditors, the external auditor shall, in meeting the documentation requirements of ISA 230³⁸, include in the audit documentation the conclusions reached 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, in accordance with paragraph 11.

³⁸ ISA 230, “Audit Documentation,” paragraphs 8-11.

ATTACHMENT 7

PERMIT versus PROHIBIT, and WITHDRAW versus RESIGN

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12. 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 ISAs require that the auditor disclaim an opinion or withdraw from the engagement, where withdrawal is ~~legally possible under applicable law or regulation~~ permitted.
24. If an objective in a relevant ISA cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs, to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA 230. (Ref: Para. A75-A76)

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Independence

11. The engagement partner shall form a conclusion on compliance with independence requirements that apply to the audit engagement. In doing so, the engagement partner shall:
 - ...(c) Take 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 possible permitted under applicable by law or regulation. The engagement partner shall promptly report to the firm any inability to resolve the matter for appropriate action. (Ref: Para. A5-A7)

Threats to Independence (Ref: Para. 11(c))

- A6. The engagement partner may identify a threat to independence regarding the audit engagement that safeguards may not be able to eliminate or reduce to an acceptable level. In that case, as required by paragraph 11(c), the engagement partner reports to the relevant person(s) within the firm to determine appropriate action, which may include eliminating the activity or interest that creates the threat, or withdrawing from the audit engagement, where withdrawal is ~~legally possible permitted under applicable law or regulation~~.

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38. If, as a result of a misstatement resulting from fraud or suspected fraud, the auditor encounters exceptional circumstances that bring into question the auditor's ability to continue performing the audit, the auditor shall:

- (b) Consider whether it is appropriate to withdraw from the engagement, where withdrawal ~~from the engagement~~ is legally possible~~permitted~~ under applicable law or regulation; and
- (c) If the auditor withdraws:
- (i) Discuss with the appropriate level of management and those charged with governance the auditor's withdrawal from the engagement and the reasons for the withdrawal; and
 - (ii) Determine whether there is a professional or legal requirement to report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities, the auditor's withdrawal from the engagement and the reasons for the withdrawal. (Ref: Para. A53-A56)

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A18. In exceptional cases, the auditor may consider whether, ~~unless prohibited by law or regulation~~, withdrawal from the engagement, where withdrawal is possible under applicable law or regulation, 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 not possible~~prohibited~~, the auditor may consider alternative actions, including describing the non-compliance in an Other Matter(s) paragraph in the auditor's report.³⁹

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- A4. Laws or regulations 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....
- A10. When deciding whether there is also a need to communicate information, in full or in summary form, with the governing body, the auditor may be influenced by the auditor's assessment of how effectively and appropriately the subgroup communicates relevant information with the governing body. The auditor may make explicit in agreeing the terms of engagement that, unless ~~prohibited prevented~~ by laws or regulations, the auditor retains the right to communicate directly with the governing body.
- A48. If the two-way communication between the auditor and those charged with governance is not adequate and the situation cannot be resolved, the auditor may take such actions as:
- Modifying the auditor's opinion on the basis of a scope limitation....
 - Withdrawing from the engagement, where withdrawal is possible under applicable law or regulation~~permitted in the relevant jurisdiction~~.

³⁹ ISA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report," paragraph 8.

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A21. The purpose and objective of planning the audit are the same whether the audit is an initial or recurring engagement. However, for an initial audit, the auditor may need to expand the planning activities because the auditor does not ordinarily have the previous experience with the entity that is considered when planning recurring engagements. For an initial audit's engagement, additional matters the auditor may consider in establishing the overall audit strategy and audit plan include the following:

- **Unless prohibited** by law or regulation, arrangements to be made with the predecessor auditor, for example, to review the predecessor auditor's working papers.

315

A101. ISA 705⁴⁰ establishes requirements and provides guidance in determining whether there is a need for the auditor to consider a qualification or disclaimer of opinion or, as may be required in some cases, to withdraw from the engagement where withdrawal this is legally possible under applicable law or regulation.

450

8. The auditor shall communicate on a timely basis all misstatements accumulated during the audit with the appropriate level of management, **unless prohibited by law or regulation**. The auditor shall request management to correct those misstatements. (Ref: Para. A7-A9)
12. The auditor shall communicate 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**. The auditor's communication shall...
- A8. 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...

501

10. ... The auditor shall do so 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. If **law, regulation or the respective legal professional body prohibit** the entity's external legal counsel from communicating directly with the auditor, the auditor shall perform alternative audit procedures. (Ref: Para. A21-A25)

⁴⁰ ISA 705, "Modifications to the Opinion in the Independent Auditor's Report."

11. If:
- (a) Management refuses to give the auditor permission to communicate or meet with the entity's external legal counsel, or the entity's external legal counsel refuses to respond appropriately to the letter of inquiry, or is **prohibited from responding**; and
 - (b) The auditor is unable to...
- A23. 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:

510

- A8. ... The inability of the auditor to obtain sufficient appropriate audit evidence regarding opening balances may result in one of the following modifications to the opinion in the auditor's report:
- (a) A qualified opinion or a disclaimer of opinion, as is appropriate in the circumstances; or
 - (b) **Unless prohibited by law or regulation**, an opinion which is qualified or disclaimed, as appropriate, regarding the results of operations, and cash flows, where relevant, and unmodified regarding financial position.

Appendix - Illustration 1:

Circumstances described in paragraph A8(a) include the following:

- In this particular jurisdiction, law and regulation **prohibit** the auditor from giving an opinion which is qualified regarding the financial performance and cash flows and unmodified regarding financial position.

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- A32. 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.
- A36. Examples of substantive audit procedures that the auditor may perform relating to newly identified related parties or significant related party transactions include:
- Making inquiries regarding the nature of the entity's relationships with the newly identified related parties, including (where appropriate **and not prohibited** by law, regulation or ethical rules) inquiring of parties outside the entity who are presumed to have significant knowledge of the entity and its business, such as legal counsel,

principal agents, major representatives, consultants, guarantors, or other close business partners.

560

12. When law, regulation or the financial reporting framework **does not prohibit** management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial statements are not prohibited from restricting their approval to that amendment, the auditor is permitted to restrict the audit procedures on subsequent events required in paragraph 11(b)(i) to that amendment. In such cases, the auditor shall either:...

A17. In some jurisdictions, entities in the public sector may be ~~prohibited prevented~~ from issuing amended financial statements by law or regulation. In such circumstances...

580

A26. Concerns about the competence, integrity, ethical values or diligence of management, or about its commitment to or enforcement of these, may cause the auditor to conclude that the risk of management misrepresentation in the financial statements is such that an audit cannot be conducted. In such a case, the auditor may consider, ~~where possible,~~ withdrawing from the engagement, where withdrawal is possible under applicable law or regulation, unless those charged with governance put in place appropriate corrective measures. Such measures, however, may not be sufficient to enable the auditor to issue an unmodified audit opinion.

600

13. If the group engagement partner concludes that:

- (a) it will not be possible for the group engagement team to obtain sufficient appropriate audit evidence due to restrictions imposed by group management; and
- (b) the possible effect of this inability will result in a disclaimer of opinion on the group financial statements),

the group engagement partner shall either:

- in the case of a new engagement, not accept the engagement, or, in the case of a continuing engagement, ~~withdraw/resign~~ from the engagement, where withdrawal is possible under applicable law or regulation; or
- where law or regulation prohibits an auditor from declining an engagement or ~~where withdrawing resigning~~ from an engagement is not otherwise possible, having performed the audit of the group financial statements to the extent possible, disclaim an opinion on the group financial statements. (Ref: Para. A13-A19)

A18. Law or regulation may prohibit the group engagement partner from declining or ~~withdrawing resigning~~ from an engagement. For example, in some jurisdictions the auditor is appointed for a specified period of time and is **prohibited** from ~~withdrawing~~

~~resigning~~ before the end of that period. Also, in the public sector, the option of declining or ~~withdrawing~~~~resigning~~ from an engagement may not be available to the auditor due to the nature of the mandate or public interest considerations....

A20. The terms of engagement identifies the applicable financial reporting framework. Additional matters may be included in the terms of a group audit engagement, such as the fact that:

- The communication between the group engagement team and the component auditors should be unrestricted to the extent ~~possible under permitted by~~ law or regulation...

A21. Restrictions imposed on:

- the group engagement team's access to component information, those charged with governance of components, component management, or the component auditors (including relevant audit documentation sought by the group engagement team); or
- the work to be performed on the financial information of the components

after the group engagement partner's acceptance of the group audit engagement, constitute an inability to obtain sufficient appropriate audit evidence that may affect the group audit opinion. In exceptional circumstances it may even lead to ~~withdrawal~~~~resignation~~ from the engagement, where ~~withdrawal is possible under applicable that is not prohibited by~~ law or regulation.

A41. **Where law or regulation prohibits** access to relevant parts of the audit documentation of the component auditor, the group engagement team may request the component auditor to overcome this by preparing a memorandum that covers the relevant information.

A59. In cooperating with the group engagement team, the component auditor, for example, would provide the group engagement team with access to relevant audit documentation **if not prohibited by law or regulation.**

705

13. If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall determine the implications as follows:

- (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: (Ref: Para. A13-A14)
 - (i) ~~Withdraw~~~~Resign~~ from the audit ~~engagement~~, where practicable and ~~possible under applicable not prohibited by~~ law or regulation; or

- (ii) If ~~withdrawal resignation~~ from the audit before issuing the auditor's report is not practicable or possible, disclaim an opinion on the financial statements.
14. If the auditor ~~withdraws resigns~~ as contemplated by paragraph 13(b)(i), before ~~withdrawingresigning~~, the auditor shall communicate to those charged with governance any matters regarding misstatements identified during the audit that would have given rise to a modification of the opinion. (Ref: Para. A15)
19. If there is a material misstatement of the financial statements that relates to the non-disclosure of information required to be disclosed, the auditor shall:
- (a) Discuss the non-disclosure with those charged with governance;
 - (b) Describe in the basis for modification paragraph the nature of the omitted information; and
 - (c) **Unless prohibited by law or regulation**, include the omitted disclosures, provided it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information. (Ref: Para. A19)
- A13. The practicality of ~~withdrawingresigning~~ 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 in the Basis for Disclaimer of Opinion paragraph prior to ~~withdrawingresigning~~.
- A14. In certain circumstances, ~~withdrawalresignation~~ 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 jurisdictions where the auditor is appointed to audit the financial statements covering a specific period, or appointed for a specific period and is **prohibited** from ~~withdrawingresigning~~ before the completion of the audit of those financial statements or before the end of that period, respectively...
- A15. When the auditor concludes that ~~withdrawalresignation~~ from the audit is necessary because of a scope limitation, there may be a professional, ~~legal or regulatory~~ ~~or legal~~ requirement for the auditor to communicate matters relating to the ~~withdrawalresignation~~ from the engagement to regulators or the entity's owners.

706

8. If the auditor considers it necessary to communicate a 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 and this is **not prohibited by law or regulation**, the auditor shall do so in a paragraph in the auditor's report, with the heading "Other Matter," or other appropriate heading. The auditor shall include this paragraph immediately after...
- A5. In the rare circumstance where the auditor is unable to ~~withdrawresign~~ from an engagement even though the possible effect of an inability to obtain sufficient appropriate audit evidence due to a limitation on the scope of the audit imposed by management is

pervasive,⁴¹ the auditor may consider it necessary to include an Other Matter paragraph in the auditor's report to explain why it is not possible for the auditor to ~~withdraw/resign~~ from the engagement.

- A10. The content of an Other Matter paragraph reflects clearly that such other matter is not required to be presented and disclosed in the financial statements. An Other Matter paragraph does not include information that the auditor is **prohibited** from providing by law, regulation or other professional standards, for example, ethical standards relating to confidentiality of information. An Other Matter paragraph also does not include information that is required to be provided by management.

710

13. If the financial statements of the prior period were audited by a predecessor auditor and the auditor is not prohibited permitted by law or regulation ~~from~~ referring to the predecessor auditor's report on the corresponding figures and decides to do so, the auditor shall state in an Other Matter paragraph in the auditor's report...
- A7. An illustrative example of the auditor's report if the prior period financial statements were audited by a predecessor auditor and the auditor is not prohibited permitted by law or regulation ~~from~~ referring to the predecessor auditor's report on the corresponding figures is contained in Example C of the Appendix.

Example C - Corresponding Figures: (Ref: Para. A7)

Report illustrative of the circumstances described in paragraph 13, as follows:

- The prior period's financial statements were audited by a predecessor auditor.
- The auditor is not prohibited permitted by law or regulation ~~from~~ referring to the predecessor auditor's report on the corresponding figures and decides to do so.

720

2. When revision of the other information is necessary and management refuses to make the revision, the auditor shall communicate this matter to those charged with governance; and
- (a) Include in the auditor's report an Other Matter(s) paragraph describing the material inconsistency in accordance with ISA 706;⁴² or
 - (b) Withhold the auditor's report; or
 - (c) ~~Where withdrawal is legally permitted, w~~Withdraw from the engagement, where withdrawal is possible under applicable law or regulation. (Ref: Para. A6-A7)
10. When revision of the other information is necessary and management refuses to make the revision, the auditor shall communicate this matter to those charged with governance; and

⁴¹ See paragraph 13(b)(ii) of ISA 705 for a discussion of this circumstance.

⁴² ISA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report," paragraph [9].

- (a) Include in the auditor’s report an Other Matter(s) paragraph describing the material inconsistency in accordance with [proposed] ISA 706 (Revised and Redrafted); or
- (b) Withhold the auditor’s report; or
- (c) ~~Where withdrawal is legally permitted, W~~withdraw from the engagement, where withdrawal is possible under applicable law or regulation. (Ref: Para. A6-A7)

805

16. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity’s complete set of financial statements as a whole but, in the context of a separate audit of a specific element that is included in those financial statements, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:
- (a) The auditor is not **prohibited by law or regulation** from doing so;
 - (b) That opinion is expressed in an auditor’s report...

ATTACHMENT 8

IF, WHEN, WHERE

240

35. ~~If When~~ the auditor identifies a misstatement, the auditor shall evaluate whether such a misstatement is indicative of fraud. If there is such an indication, the auditor shall evaluate the implications of the misstatement in relation to other aspects of the audit, particularly the reliability of management representations, recognizing that an instance of fraud is unlikely to be an isolated occurrence. (Ref: Para. A50)
37. ~~If When~~ the auditor confirms that, or is unable to conclude whether, the financial statements are materially misstated as a result of fraud, the auditor shall evaluate the implications for the audit. (Ref: Para. A52)
47. ~~If When~~ the auditor has concluded that the presumption that there is a risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement, the auditor shall document the reasons for that conclusion.

260

8. ~~If When~~ the auditor communicates with a subgroup of those charged with governance, for example, an audit committee, or an individual, the auditor shall determine whether the auditor also needs to communicate with the governing body. (Ref: Para. A9-A11)
15. The auditor shall communicate in writing with those charged with governance regarding significant findings from the audit ~~ifwhen~~, in the auditor's professional judgment, oral communication would not be adequate. Written communications need not include all matters that arose during the course of the audit. (Ref: Para. A41-A43)

315

8. ~~If Where~~ the engagement partner has performed other engagements for the entity, the engagement partner shall consider whether information obtained is relevant to identifying risks of material misstatement.
9. ~~Where~~ the auditor intends to use information obtained from the auditor's previous experience with the entity and from audit procedures performed in previous audits, the auditor shall determine whether changes have occurred since the previous audit that may affect its relevance to the current audit. (Ref: Para. A10-A11)
16. If the entity has established such a process (referred to hereafter as the "entity's risk assessment process"), the auditor shall obtain an understanding of it, and the results thereof. ~~If Where~~ the auditor identifies risks of material misstatement that management failed to identify, the auditor shall evaluate whether 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, the auditor shall obtain an understanding of why that

process failed to identify it, and evaluate whether the process is appropriate to its circumstances or if there is a material weakness in the entity’s risk assessment process.

28. ~~If When~~ the auditor has determined that a significant risk exists, the auditor shall obtain an understanding of the entity’s controls, including control activities, relevant to that risk. (Ref: Para. A117-A119)

330

Using audit evidence obtained during an interim period

8. The auditor shall design and perform tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls ~~ifwhen~~:
- (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. (Ref: Para. A20-A24)
12. ~~When-If~~ the auditor obtains audit evidence about the operating effectiveness of controls during an interim period, the auditor shall:
- (a) Obtain audit evidence about significant changes to those controls subsequent to the interim period; and
 - (b) Determine the additional audit evidence to be obtained for the remaining period. (Ref: Para. A33-A34)
15. ~~If When~~ the auditor plans to rely on controls over a risk the auditor has determined to be a significant risk, the auditor shall test those controls in the current period.
17. ~~If When~~ deviations from controls upon which the auditor intends to rely are detected, the auditor shall make specific inquiries to understand these matters and their potential consequences, and shall determine whether:
- (a) The tests of controls that have been performed provide an appropriate basis for reliance on the controls;
22. ~~If When~~ the auditor has determined that an assessed risk of material misstatement at the assertion level is a significant risk, the auditor shall perform substantive procedures that are specifically responsive to that risk. When the approach to a significant risk consists only of substantive procedures, those procedures shall include tests of details. (Ref: Para. A49)
23. ~~If When~~ substantive procedures are performed at an interim date, the auditor shall cover the remaining period by performing...

500

8. ~~If When~~ information to be used as audit evidence has been prepared using the work of a management’s expert, the auditor shall, to the extent necessary, having regard to the

significance of that expert’s work for the auditor’s purposes,: (Ref: Para. A34-A36)

- (a) Evaluate...

501

- 4. ~~If When~~—inventory is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by:
- 8. ~~If When~~—inventory under the custody and control of a third party is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of that inventory by performing one or both of the following:

540

- 13. Develop a point estimate or a range to evaluate management’s point estimate. For this purpose: (Ref: Para. A87-A91)
 - (a) ~~If 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. (Ref: Para. A92)
 - (b) ~~If 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. (Ref: Para. A93-A95)

550

- 24. ~~If When~~—management has 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, the auditor shall obtain sufficient appropriate audit evidence about the assertion. (Ref: Para. A42-A45)

560

- 8. ~~If When~~, as a result of the procedures performed as required by paragraphs 6 and 7, the auditor identifies events that require adjustment of, or disclosure in, the financial statements, the auditor shall determine whether each such event is appropriately reflected in those financial statements.
- 10. The auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor’s report. However, ~~if when~~, after the date of the auditor’s report but before the date the financial statements are issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor’s report, may have caused the auditor to amend the auditor’s report, the auditor shall: (Ref: Para. A11)
 - (b) Discuss the matter with management...

12. ~~Where~~~~When~~ law, regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial statements are not prohibited from restricting their approval to that amendment, the auditor is permitted to restrict the audit procedures on subsequent events required in paragraph 11(b)(i) to that amendment. In such cases, the auditor shall either:
- (a) Amend the auditor’s report...
13. In some jurisdictions, management may not be required by law, regulation or the financial reporting framework to issue amended financial statements and, accordingly, the auditor need not provide an amended or new auditor’s report. However, ~~if~~~~when~~ management does not amend the financial statements in circumstances where the auditor believes they need to be amended, then: (Ref: Para. A13-A14)
- (a) If the auditor’s report has not yet been provided to the entity, the auditor shall modify the opinion as required by ISA 705 and then provide the auditor’s report; or
 - (b) If the auditor’s report has already been provided to the entity, the auditor shall notify management... If the financial statements are nevertheless subsequently issued without the necessary amendments, the auditor shall take appropriate action, to seek to prevent reliance on the auditor’s report. (Ref. Para: A15-A16)
14. After the financial statements have been issued, the auditor has no obligation to perform any audit procedures regarding such financial statements. However, ~~if~~~~when~~, after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor’s report, may have caused the auditor to amend the auditor’s report, the auditor shall...

570

16. ~~If~~ ~~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) ~~Where~~~~ren~~ 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...
 - (c) ~~Where~~~~ren~~ 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...
18. ~~If~~ ~~When~~-the auditor concludes that the use of the going concern assumption is appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether the financial statements:

(a) Adequately describe...

24. ~~If When~~—there is significant delay in the approval of the financial statements by management or those charged with governance after the date of the financial statements, the auditor shall inquire as to the reasons for the delay. ~~If When~~—the auditor believes that the delay could be related to events or conditions relating to the going concern assessment, the auditor shall...

600

19. ~~If When~~—the group engagement team plans to request a component auditor to perform work on the financial information of a component, the group engagement team shall obtain an understanding of the following: (Ref: Para. A32-A35)

(a) Whether the component auditor understands...

20. ~~If When~~—a component auditor does not meet the independence requirements that are relevant to the group audit, or the group engagement team has serious concerns about the other matters listed in paragraph 19(a)-(c), the group engagement team shall obtain sufficient appropriate audit evidence...

23. ~~If When~~—a component is subject to audit by statute, regulation or other reason, and the group engagement team decides to use that audit to provide audit evidence for the group audit, the group engagement team shall...

25. If the nature, timing and extent of the work to be performed on the consolidation process or the financial information of the components are based on an expectation that group-wide controls are operating effectively, or ~~if when~~—substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level, the group engagement team shall test, or request a component auditor to test, the operating effectiveness of those controls.

30. ~~If When~~—a component auditor performs an audit of the financial information of a significant component, the group engagement team shall be involved in the component auditor's risk assessment to identify significant risks of material misstatement of the group financial statements. The nature, timing and extent of this involvement are affected by...

31. ~~If When~~—significant risks of material misstatement of the group financial statements have been identified in a component on which a component auditor performs the work, the group engagement team shall evaluate...

32. In accordance with paragraph 17, the group engagement team obtains an understanding of group-wide controls and the consolidation process, including the instructions issued by group management to components. In accordance with paragraph 25, the group engagement team, or component auditor at the request of the group engagement team, tests the operating effectiveness of group-wide controls if the nature, timing and extent of the work to be performed on the consolidation process are based on an expectation that group-wide controls are operating effectively, or ~~if when~~ substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level.

610

13. ~~If 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, in accordance with paragraph 11.

720

9. ~~If When~~ revision of the audited financial statements is necessary and management refuses to make the revision, the auditor shall modify the opinion in the auditor's report in accordance with ISA 705.
10. ~~If When~~ revision of the other information is necessary and management refuses to make the revision, the auditor shall communicate this matter to those charged with governance; and...
11. ~~If When~~ revision of the audited financial statements is necessary, the auditor shall follow the relevant requirements in ISA 560.
12. ~~If When~~ revision of the other information is necessary and management agrees to make the revision, the auditor shall carry out the procedures necessary under the circumstances. (Ref: Para. A8)
13. ~~If When~~ revision of the other information is necessary, but management refuses to make the revision, the auditor shall notify those charged with governance of the auditor's concern regarding the other information and take any further appropriate action. (Ref: Para. A9)
15. ~~If When~~, following such discussions, the auditor still considers that there is an apparent material misstatement of fact, 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.
16. ~~If When~~ the auditor concludes that there is a material misstatement of fact in the other information which management refuses to correct, the auditor shall notify those charged with governance of the auditor's concern regarding the other information and take any further appropriate action. (Ref: Para. A11)

ATTACHMENT 9

REFERENCE OTHER THAN TO MODIFICATION OF THE AUDITOR'S OPINION

200

12. In all cases where 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 ISAs require that the auditor disclaim an opinion or withdraw from the engagement, where withdrawal is legally permitted.

230

- A7. Audit documentation provides evidence that the audit complies with the ISAs. However, it is neither necessary nor practicable for the auditor to document every matter considered, or professional judgment made, in an audit. Further, it is unnecessary for the auditor to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included within the audit file. For example:

- The existence of an adequately documented audit plan demonstrates that the auditor has planned the audit.
- The existence of a signed engagement letter in the audit file demonstrates that the auditor has agreed the terms of the audit engagement with management or, where appropriate, those charged with governance.
- An auditor's report containing an appropriately qualified opinion on the financial statements demonstrates that the auditor has complied with the requirement to express a qualified opinion under the circumstances specified in the ISAs.

250

25. If the auditor concludes that the non-compliance has a material effect on the financial statements, and has not been adequately reflected in the financial statements, the auditor shall, in accordance with ISA 705, express a qualified opinion or an adverse opinion on the financial statements.
26. If 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, the auditor shall express a qualified opinion or disclaim an opinion on the financial statements on the basis of a limitation on the scope of the audit in accordance with ISA 705.

315

- A100. The auditor's understanding of internal control may raise doubts about the auditability of an entity's financial statements. For example:

- Concerns about the integrity of the entity’s management may be so serious as to cause the auditor to conclude that the risk of management misrepresentation in the financial statements is such that an audit cannot be conducted.
- Concerns about the condition and reliability of an entity’s records may cause the auditor to conclude that it is unlikely that sufficient appropriate audit evidence will be available to support an unmodified ~~unqualified~~ opinion on the financial statements.

A101. ISA 705 establishes requirements and provides guidance in determining whether there is a need for the auditor to express a ~~consider a~~ qualified ~~adverse~~ opinion or disclaimer and opinion or, as may be required in some cases, to withdraw from the engagement where this is legally possible.

330

28. If the auditor has not obtained sufficient appropriate audit evidence as to a material financial statement assertion, the auditor shall attempt to obtain further audit evidence. If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall express a qualified opinion or a disclaimer ~~and~~ opinion on the financial statements.

510

10. If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor shall express a qualified opinion or a disclaimer ~~and~~ opinion on the financial statements, as appropriate, in accordance with ISA 705. (Ref: Para. A8)

11. If the auditor concludes 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, the auditor shall express a qualified opinion or an adverse opinion, as appropriate, in accordance with ISA 705.

12. If the auditor concludes that:

- (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,

the auditor shall express a qualified opinion or an adverse opinion as appropriate in accordance with ISA 705.

A8. ISA 705 establishes requirements and provides guidance on circumstances that may result in a modification to the auditor’s opinion on the financial statements, the type of opinion appropriate in the circumstances, and the content of the auditor’s report when the auditor’s opinion is modified. The inability of the auditor to obtain sufficient appropriate

audit evidence regarding opening balances may result in one of the following modifications to the opinion in the auditor's report:

- (a) A **qualified opinion or a disclaimer of opinion**, as is appropriate in the circumstances; or
- (b) Unless prohibited by law or regulation, **an opinion which is qualified or disclaimed**, as appropriate, regarding the results of operations, and cash flows, where relevant, and unmodified regarding financial position.

540

A123. 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. ISA 705 provides guidance on the implications for the auditor's opinion report when the auditor believes that management's disclosure of estimation uncertainty in the financial statements is inadequate or misleading.

550

A18. Controls over related party relationships and transactions within some entities may be weak, ineffective 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....

Where such controls are ineffective or non-existent, the auditor may be unable to obtain sufficient appropriate audit evidence about related party relationships and transactions. If this were the case, the auditor would, in accordance with ISA 705, consider the implications for the audit, including the opinion in the auditor's report.

570

20. If adequate disclosure is not made in the financial statements, the auditor shall express a qualified opinion or adverse opinion, as appropriate, in accordance with (See ISA 705.) The auditor shall state in the auditor's report that there is a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern. (Ref: Para. A23-A24)

A27. In certain circumstances, the auditor may believe it necessary to request management to make or extend its assessment. If management is unwilling to do so, **a qualified opinion or a disclaimer of opinion** in the auditor's report may be appropriate, because it may not be possible for the auditor to obtain sufficient appropriate audit evidence regarding the use of the going concern assumption in the preparation of the financial statements, such as audit evidence regarding the existence of plans management has put in place or the existence of other mitigating factors.

620

A28. Agreement on the respective roles and responsibilities of the auditor and the auditor's expert may include:

- 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 the basis for a modified opinion in the auditor’s report, if necessary (see paragraph A42).

Appendix

- Relevant auditing and accounting standards, and relevant regulatory or legal requirements.
- The auditor’s external expert’s consent to the auditor’s intended use of that expert’s report, including any reference to it, or disclosure of it, to others, for example reference to it in the basis for a modified opinion in the auditor’s report, if necessary, or disclosure of it to management or an audit committee.

710

11. If 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 modification is unresolved, the auditor shall modify the auditor’s opinion on the current period’s financial statements. In the Basis for Modification paragraph in the auditor’s report, the auditor shall either:
 - (a) Refer 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
 - (b) In other cases, explain 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. (Ref: Para. A3-A5)
- A3. 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.

ATTACHMENT 10

FURTHER AUDIT PROCEDURES

505

16. The auditor shall evaluate whether the results of the external confirmation procedures provide relevant and reliable audit evidence, or whether ~~performing~~ further audit ~~evidence procedures~~ is necessary. (Ref: Para A24-A25)

A25. The auditor's evaluation, when taken into account with other audit procedures the auditor may have performed, may assist the auditor in concluding whether sufficient appropriate audit evidence has been obtained or whether ~~performing~~ further audit ~~evidence procedures~~ is necessary, as required by ISA 330 (Redrafted).⁴³

[**Note:** ISA 330 paragraphs 27 and 28 state:

27. *The auditor shall conclude whether sufficient appropriate audit evidence has been obtained. In forming an opinion, the auditor shall consider all relevant audit evidence, regardless of whether it appears to corroborate or to contradict the assertions in the financial statements. (Ref: Para. A58)*

28. *If the auditor has not obtained sufficient appropriate audit evidence as to a material financial statement assertion, the auditor shall attempt to obtain further audit evidence. If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall express a qualified opinion or a disclaimer of opinion.” [emphasis added]]*

620

13. If the auditor determines that the work of the auditor's expert is not adequate for the auditor's purposes, the auditor shall: (Ref: Para. A40)

- (a) Agree with that expert on the nature and extent of further work to be performed by that expert; or
- (b) Perform ~~additional further~~ audit procedures appropriate to the circumstances.

⁴³ ~~ISA 330 (Redrafted), paragraphs 27 and 28.~~

REFERENCE TO ISQC 1

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A17. International Standard on Quality Control (ISQC) 1⁴⁴), or national requirements that are at least as demanding,⁴⁵ deal with the firm's responsibilities to establish and maintain its system of quality control for audit engagements. ISQC 1 sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements, including those pertaining to independence.⁴⁶ ISA 220 sets out the engagement partner's responsibilities with respect to relevant ethical requirements. These include remaining alert, through observation and making inquiries as necessary, for evidence of non-compliance with relevant ethical requirements by members of the engagement team evaluating whether members of the engagement team have complied with relevant ethical requirements, determining the appropriate action if matters come to the engagement partner's attention 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.⁴⁷ ISA 220 recognizes that the engagement team is entitled to rely on a firm's systems of quality control in meeting its responsibilities with respect to quality control procedures applicable to the individual audit engagement, unless information provided by the firm or other parties suggests otherwise.

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3. 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 ISA 220.
 - Enabling the engagement team to be accountable for its work.
 - Retaining a record of matters of continuing significance to future audits.

⁴⁴ International Standard on Quality Control (ISQC) 1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements."

⁴⁵ See ISA 220, "Quality Control for an Audit of Financial Statements, paragraph 2."

⁴⁶ ~~International Standard on Quality Control (ISQC) 1 (Redrafted), "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements," paragraphs 20-21.~~

⁴⁷ ~~ISA 220, "Quality Control for an Audit of Financial Statements," paragraphs 9-11.~~

- Enabling the conduct of quality control reviews and inspections in accordance with ISQC 1- or national requirements that are at least as demanding.⁴⁸
- A21. ISQC 1 (or national requirements that are at least as demanding) requires firms to establish policies and procedures for the timely completion of the assembly of audit files. An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor’s report.
- A23. ISQC 1 (or national requirements that are at least as demanding) requires firms to establish policies and procedures for the retention of engagement documentation. The retention period for audit engagements ordinarily is no shorter than five years from the date of the auditor’s report, or, if later, the date of the group auditor’s report.

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- A35. The group engagement team may obtain an understanding of the component auditor in a number of ways. In the first year of involving a component auditor, the group engagement team may, for example:
- Evaluate the results of the quality control monitoring system where the group engagement team and component auditor are from a firm or network that operates under and complies with common monitoring policies and procedures;⁴⁹

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- A11. 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 ISQC 1 (Redrafted)- or national requirements that are at least as demanding.⁵⁰ 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.

⁴⁸ See ISA 220, paragraph 2.

⁴⁹ As required by ISQC 1, “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,” paragraph 54[62], or national requirements that are at least as demanding.

⁵⁰ See ISA 220, paragraph 2.

REFERENCE TO RELEVANT ETHICAL REQUIREMENTS

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14. The auditor shall comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements. (Ref: Para. A14-A17)

A14. The auditor is subject to relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements. Relevant ethical requirements ordinarily comprise Parts A and B of the International Federation of Accountants' *Code of Ethics for Professional Accountants* (the IFAC Code) related to an audit of financial statements together with national requirements that are more restrictive.

A15. Part A of the IFAC Code establishes the fundamental principles of professional ethics....

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Auditor Independence

13. In the case of listed entities, the auditor shall communicate with those charged with governance: (Ref: Para. A25-A27)

(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

(b) (i) All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged...

A25. ~~The auditor is required to comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements.⁵¹The auditor is subject to independence and other ethical requirements, which ordinarily comprise Parts A and B of the International Federation of Accountants' Code of Ethics for Professional Accountants related to an audit of financial statements together with national requirements that are more restrictive.~~

A26. The relationships and other matters, and safeguards to be communicated, vary with the circumstances of the engagement, but generally address:

(a) Threats to independence, which may be categorized as: self-interest threats, self-review threats, advocacy threats, familiarity threats, and intimidation threats; and...

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5. The auditor shall undertake the following activities at the beginning of the current audit engagement:

⁵¹ ISA 200, "Overall Objectives of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph 14.

- (a) Performing procedures required by ISA 220-regarding the continuance of the client relationship and the specific audit engagement;
 - (b) Evaluating compliance with relevant ethical requirements, including independence, in accordance with as required by ISA 220;⁵² and
- A8. The auditor's consideration of client continuance and relevant ethical requirements, including independence, occurs throughout the audit engagement as conditions and changes in circumstances occur. Performing initial procedures on both client continuance and evaluation of relevant ethical requirements (including independence) at the beginning of the current audit engagement means that they are completed prior to the performance of other significant activities for the current audit engagement. For continuing audit engagements, such initial procedures often occur shortly after (or in connection with) the completion of the previous audit.

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19. When the group engagement team plans to request a component auditor to perform work on the financial information of a component, the group engagement team shall obtain an understanding of the following: (Ref: Para. A32-A35)
- (a) Whether the component auditor understands and will comply with the ethical requirements that are relevant to the group audit and, in particular, is independent. (Ref: Para. A37)
40. The group engagement team shall communicate its requirements to the component auditor on a timely basis. This communication shall set out the work to be performed, the use to be made of that work, and the form and content of the component auditor's communication with the group engagement team. (Ref: Para. A57, A58, A60) It shall also include the following:
- (a) A request that the component auditor, knowing the context in which the group engagement team will use the work of the component auditor, confirms that the component auditor will cooperate with the group engagement team. (Ref: Para. A59)
 - (b) The ethical requirements that are relevant to the group audit and, in particular, the independence requirements....
41. The group engagement team shall request the component auditor to communicate matters relevant to the group engagement team's conclusion with regard to the group audit. Such communication shall include: (Ref: Para. A60)
- (a) Whether the component auditor has complied with ethical requirements that are relevant to the group audit, including independence and professional competence;

⁵² ISA 220, paragraphs 9-11.

Ethical Requirements that are Relevant to the Group Audit (Ref: Para. 19(a))

A37. When performing work on the financial information of a component for a group audit, the component auditor is subject to **ethical requirements that are relevant to the group audit**. Such requirements may be different or in addition to those applying to the component auditor when performing a statutory audit in the component auditor’s jurisdiction. The group engagement team therefore obtains an understanding whether the component auditor understands and will comply with the **ethical requirements that are relevant to the group audit**, sufficient to fulfill the component auditor’s responsibilities in the group audit.

Appendix

Matters that are relevant to the planning of the work of the component auditor:

...

- *The **ethical requirements that are relevant to the group audit** and, in particular, the independence requirements.*

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A12. 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 ISQC 1 (Redrafted). In some jurisdictions, however, laws or regulations 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 requirements, and other professional requirements**, including those **pertaining relating** to independence, **and other professional requirements**, as determined by that law or regulation.⁵³

⁵³ ~~Relevant ethical requirements ordinarily comprise Parts A and B of the International Federation of Accountants’ Code of Ethics for Professional Accountants (IFAC Code) related to an audit of financial statements together with national requirements that are more restrictive.~~

ATTACHMENT 13

DEFINITIONS

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5. For purposes of the ISAs the following terms have the meanings attributed below:
- (a) Other information – Financial and non-financial information (other than the financial statements and the auditor’s report thereon) which is included, either by law, regulation or custom, in a document containing audited financial statements and the auditor’s report thereon. (Ref: Para. A3-A4)

Scope of this ISA ~~(Ref: Para. 1-2)~~

Additional Responsibilities, through Statutory or Other Regulatory Requirements, in Relation to Other Information (Ref: Para. 1)

- A1. The auditor may have additional responsibilities, through statutory or other regulatory requirements, in relation to other information that are beyond the scope of this ISA. For example, some jurisdictions may require the auditor to apply specific procedures to certain of the other information such as required supplementary data or to express an opinion on the reliability of performance indicators described in the other information. ~~Where~~ there are such obligations, the auditor’s additional responsibilities are determined by the nature of the engagement and by law, regulation and professional standards. If such other information is omitted or contains deficiencies, the auditor may be required by law or regulation to refer to the matter in the auditor’s report.

Documents Containing Audited Financial Statements (Ref: Para. 2)

Considerations Specific to Smaller Entities ~~(Ref: Para. 2)~~

- A~~24~~. Unless required by law or regulation, smaller entities are less likely to issue documents containing audited financial statements. However, an example of such a document would be where a legal requirement exists for an accompanying report by those charged with governance. Examples of other information that may be included in a document containing the audited financial statements of a smaller entity are a detailed income statement and a management report.

Definition of Other Information (Ref: Para. 5(a))

- A~~32~~. Other information may comprise, for example:
- A report by management or those charged with governance on operations.
 - Financial summaries or highlights.
 - Employment data.
 - Planned capital expenditures.
 - Financial ratios.

- Names of officers and directors.
- Selected quarterly data.

A~~4~~3. For purposes of the ISAs, other information does not encompass, for example:

- A press release or a transmittal memorandum, such as a covering letter, accompanying the document containing audited financial statements and the auditor's report thereon.
- Information contained in analyst briefings.
- Information contained on the entity's website.

ATTACHMENT 14

OTHER CONSISTENCY MATTERS

(I) LAW OR REGULATION

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8. The form of opinion expressed by the auditor will depend upon the applicable financial reporting framework and any applicable laws or regulations. (Ref: Para. A12-A13)
9. The auditor may also have certain other communication and reporting responsibilities to users, management, those charged with governance, or parties outside the entity, in relation to matters arising from the audit. These may be established by the ISAs or by applicable laws or regulations.
- A4. The auditor's opinion on the financial statements deals with whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. Such an opinion is common to all audits of financial statements. The auditor's opinion therefore does not assure, for example, the future viability of the entity nor the efficiency or effectiveness with which management has conducted the affairs of the entity. In some jurisdictions, however, applicable laws ~~and~~ regulations may require auditors to provide opinions on other specific matters, such as the effectiveness of internal control, or the consistency of a separate management report with the financial statements...
- A12. The opinion expressed by the auditor is on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The form of the auditor's opinion, however, will depend upon the applicable financial reporting framework and any applicable laws or regulations. Most financial reporting frameworks include requirements relating to the presentation of the financial statements; for such frameworks, *preparation* of the financial statements in accordance with the applicable financial reporting framework includes *presentation*.
- A55. In performing an audit, the auditor may be required to comply with legal or regulatory requirements in addition to the ISAs. The ISAs do not override laws ~~or and~~ regulations that governs an audit of financial statements. In the event that ~~such those~~ laws ~~or and~~ regulations differ from the ISAs, an audit conducted only in accordance with laws ~~or and~~ regulations will not automatically comply with ISAs.

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1. This International Standard on Auditing (ISA) 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 Appendix lists other ISAs that contain specific documentation requirements and guidance. The specific documentation requirements of other ISAs do not limit the application of this ISA. Laws or regulations may establish additional documentation requirements.

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3. Recognizing the importance of effective two-way communication during an audit of financial statements, this ISA 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 ISA, are identified in other ISAs (see Appendix 1). Further matters, not required by this or other ISAs, may be required to be communicated by laws or regulations, 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 ISA precludes the auditor from communicating any other matters to those charged with governance. (Ref: Para. A28-A31)
- A1. Laws or regulations 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.
- A10. When deciding whether there is also a need to communicate information, in full or in summary form, with the governing body, the auditor may be influenced by the auditor's assessment of how effectively and appropriately the subgroup communicates relevant information with the governing body. The auditor may make explicit in agreeing the terms of engagement that, unless prevented by laws or regulations, the auditor retains the right to communicate directly with the governing body.
- A13. The auditor's responsibilities in relation to the financial statement audit are often included in the engagement letter or other suitable form of written agreement that records the agreed terms of the engagement. Providing those charged with governance with a copy of that engagement letter or other suitable form of written agreement may be an appropriate way to communicate with them regarding such matters as:
- The auditor's responsibility for performing the audit in accordance with ISAs...
 - When applicable, the auditor's responsibility for communicating particular matters required by laws or regulations, by agreement with the entity or by additional requirements applicable to the engagement, for example, the standards of a national professional accountancy body.
- A14. Laws or regulations, an agreement with the entity or additional requirements applicable to the engagement may provide for broader communication with those charged with governance. For example, (a) an agreement with the entity may provide for particular matters to be communicated when they arise from services provided by a firm or network firm other than the financial statement audit; or (b) the mandate of a public sector auditor may provide for matters to be communicated that come to the auditor's attention as a result of other work, such as performance audits.
- A39. In some jurisdictions the auditor may be required by laws or regulations to, for example:

- Notify a regulatory or enforcement body...

A40. Unless required by laws or regulations to provide a third party with a copy of the auditor’s written communications with those charged with governance, the auditor may need the prior consent of those charged with governance before doing so.

(II) INTERNAL AUDIT

610

Relationship between the Internal Audit Function and the External Auditor

3. The ~~role and~~ objectives of the internal audit function are determined by management and, where applicable, those charged with governance. While the objectives of the internal audit function and the external auditor are different, some of the ways in which the internal audit function and the external auditor achieve their respective objectives may be similar. (Ref: Para. A3)

Scope and Objectives of the Internal Audit Function (Ref: Para. 3)

A3. The objectives of internal audit functions vary widely and depend on the size and structure of the entity and the requirements of management and, where applicable, those charged with governance. The activities of the internal audit function may include one or more of the following:

(III) WORD SEARCHES

(i) Reference to “financial statements as a whole:”

ISA 240

“34. The auditor shall evaluate whether analytical procedures that are performed near the end of the audit, 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. (Ref: Para. A49)”

To align ISA 240 with ISA 520.

(ii) Reference to “design, implement and maintain internal control:”

ISA 260

“A28. Those charged with governance are responsible for ensuring, through oversight of management, that the entity designs, implements ~~establishes~~ and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.”

To align wording with other ISAs.

(ii) Reference to “preparation and presentation of the financial statements:”

ISA 200

“13. For purposes of the ISAs, the following terms have the meanings attributed below:

- (a) 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.”

“A7. Some financial reporting frameworks are fair presentation frameworks, while others are compliance frameworks. Financial reporting frameworks that encompass primarily the financial reporting standards established by an organization that is authorized or recognized to promulgate standards to be used by entities for preparing ~~and presenting~~ general purpose financial statements are often designed to achieve fair presentation, for example, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

A8. The requirements of the applicable financial reporting framework also determine what constitutes a complete set of financial statements. In the case of many frameworks...For some other financial reporting frameworks, a single financial statement and the related notes might constitute a complete set of financial statements:

- For example, the International Public Sector Accounting Standard (IPSAS), “Financial Reporting Under the Cash Basis of Accounting” issued by the International Public Sector Accounting Standards Board states that the primary financial statement is a statement of cash receipts and payments when a public sector entity prepares ~~and presents~~ its financial statements in accordance with that IPSAS.”

“A47. There are practical and legal limitations on the auditor’s ability to obtain audit evidence. For example:

- There is the possibility that management or others may not provide, intentionally or unintentionally, the complete information that is relevant to the preparation ~~and presentation~~ of the financial statements or that has been requested by the auditor. Accordingly, the auditor cannot be certain of the completeness of information....”

ISA 260

“2. This ISA has been drafted in terms 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 ~~and presentation~~ of the other historical financial information.”

ISA 540

“A106. Smaller entities may use simple means to assess the estimation uncertainty....In such cases, the auditor may explain to management the process or the different methods available for doing so, and the documentation thereof. This would not, however, change the responsibilities of management for the preparation ~~and presentation~~ of the financial statements.”

ISA 570

- “1. This International Standard on Auditing (ISA) deals with the auditor’s responsibility in the audit of financial statements with respect to management’s use of the going concern assumption in the preparation ~~and presentation~~ of the financial statements.”
- “4. In other financial reporting frameworks, there may be no explicit requirement for management to make a specific assessment of the entity’s ability to continue as a going concern. Nevertheless, since the going concern assumption is a fundamental principle in the preparation of financial statements as discussed in paragraph 2, management’s responsibility for the preparation ~~and presentation~~ of the financial statements includes a responsibility to assess the entity’s ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.”
- “9. The objectives of the auditor are:
- (a) To obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation ~~and presentation~~ 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 determine the implications for the auditor’s report.”

ISA 580

- “A4. 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.
- A5. 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.
- A6. 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 specialized knowledge relating to the matters about which written representations are requested. Such individuals may include:...”
- “A29.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 fulfillment 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. The requirement in paragraph 20 does not apply because..."

To align wording with changes in ISA 700.