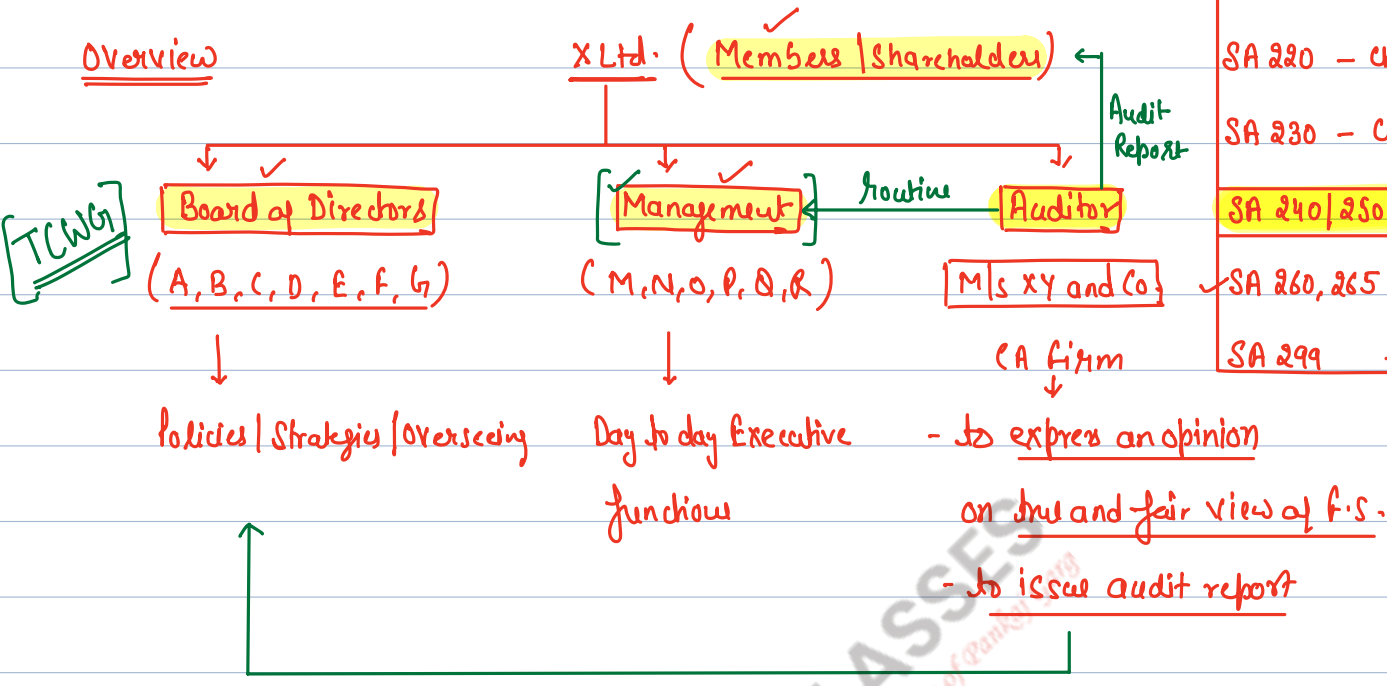


# Chapter-7 "Completion and Review"

## (i) Communication with Those Charged with Governance (TCWG) - SA 260

- SA 200 - 299
- SA 200 - Ch. 1
- SA 210 - Ch. 11
- SA 220 - Ch. 11
- SA 230 - Ch. 6
- SA 240, 250 - Fraud / L & R
- SA 260, 265 - Ch. 7
- SA 299 - Ch. 8



- Acting Policies, Acting Practices, f.s. Disclosure. ✓
- Significant difficulty ✓
- Circumstances - A.R. - modified ✓
- Auditor's Responsibility ✓
- Scope and Timing of Audit ✓
- Auditor's Independence ✓

(i) Meaning of TCWG: Person(s) / Organisation(s) with responsibility to oversee the strategic direction of the entity; and obligations related to accountability of the Entity.

Note: TCWG may include managerial personnel.

(ii) Role of Communication: (a) To assist auditor and TCWG in understanding of matters related with audit and developing constructive relationship.

- (b) To assist the auditor in obtaining relevant information w.r.t. audit from TCG.
- For Ex: Information related with Related Parties;  
Sources of Evidences;  
Information related with Accounting Policies, etc.
- (c) To assist TCG in fulfilling their responsibilities to oversee the financial reporting process.

Note: Auditor is required to determine the appropriate person within the Organisation to whom communication is to be made.

(iii) Matters to be Communicated:

(A) Auditor's responsibilities in relation to audit of f.s.:

(For this purpose, auditor may consider use of Letter of Engagement as issued under requirements of SA 210).

(B) Planned scope and timing of audit:

Auditor shall communicate with TCG as to his plan to assess ROMM; auditor's approach towards examination of S.C; application of concept of Materiality; significant risks identified during the audit; etc.

(C) Significant findings from the audit:

(i) Qualitative aspects of Accounting Policies;

" Practices;

" Estimates and f.s. disclosures.

(ii) Significant difficulties encountered during the audit

For Ex: (A) Limitations imposed by management;

(B) Non-availability of expected information;

(C) Unnecessary brief time for completion of audit;

(D) Delay / Unwillingness by Mngt. in providing necessary information.

(iii) Significant matters discussed with Mngt. and Written Representation requested from them; (SASSB)

For Ex: (A) Transactions with related parties;

(B) Subsequent Events Occurring after BIs date;

(C) Non-compliance with laws and regulations.

(iv) Circumstances that may affect the form and content of audit report

For Ex: Circumstances indicating material misstatements in f.s, requiring modifications in audit opinion.

(v) Any Other Matter, that appear significant to auditor.

## (D) Auditor's Independence!

Required in case of audit of financial statements of listed entities.

Statement of Independence comprises of:

(i) Compliance of Ethical requirements including independence;

(ii) Any relationship that may affect independence;

(iii) Related safeguards that are applied to eliminate identified threats to independence.

Note: Auditor's independence should be communicated in written form only.

(iv) Communication Process: (A) Communication with TCWG may be - (i) Oral or written (ii) Detail or summarized; (iii) Structured or unstructured.

(B) Auditor shall communicate with TCWG, in writing, where Oral communication would not be adequate.

(C) Establish whether two way communication has been adequate. If not, evaluate assessment of RoMM and take appropriate action.

(d) Writ. communication in writing, retain a copy of communication

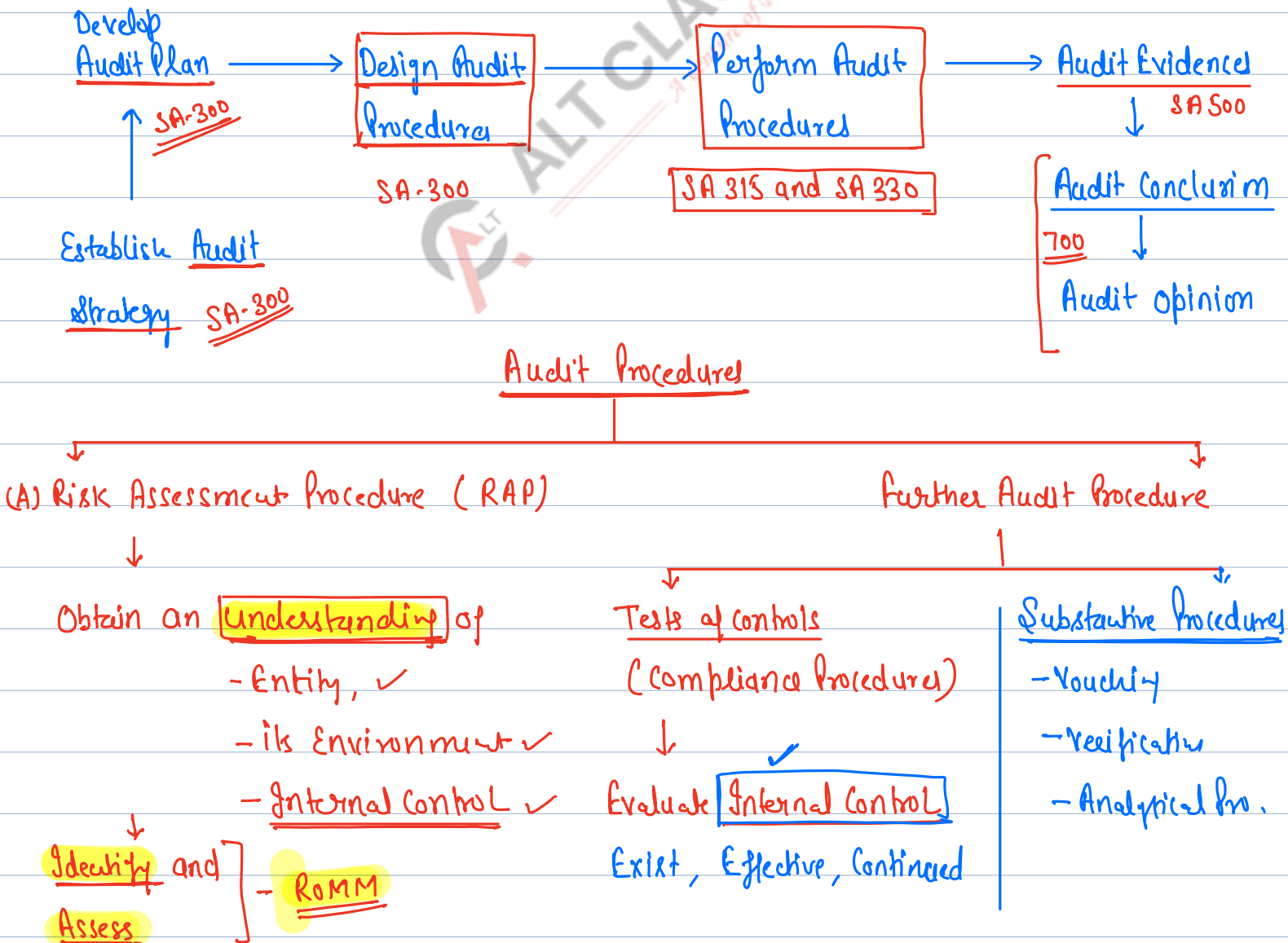
e) w.r.t. Oral Communication, include item in audit documentation along with (i) when communicated; and (ii) To whom communicated.

(A) Communicating deficiencies in Internal Control to TCSG and Management: SA 265

Overview:

XYZ Ltd.

Auditor: - AB and Associates - Overall Objective: - To obtain reasonable Assurance (SA-200)



(A) Meaning of deficiency in I.C.: I.C. is said to be deficient, if

(a) I.C. required to prevent, or detect and correct material misstatement in the f.s. is Missing.

(Non Existent I.C.)

(b) I.C. Unable to prevent or detect and correct material misstatements in f.s. on timely basis.

(Ineffective I.C.)

(B) Auditor's Responsibilities:

(i) Auditor should determine whether deficiencies in I.C. exist. For this purpose, auditor is required to (a) Plan as per SA 300.

(b) Perform Risk Assessment Procedure as per SA 315.

(c) " Compliance Procedures as per SA 330.

(ii) If based on the procedures performed, auditor is of the opinion that deficiencies in I.C. exist, he should determine, whether such deficiency either individually or in aggregate with other deficiencies constitute significant deficiency.

(A) Deficiencies are not significant

Auditor shall communicate such deficiencies, in writing to Management.

(B) Deficiencies are significant

Auditor shall communicate such deficiencies, in writing to Mngt. and TCG

Matters to be considered in determining whether a deficiency or combination of deficiencies in I.C. constitute significant deficiency:

( From Book - Learning + Noting (4 Points - H.w.)

## Indicators of Significant deficiencies:

(i) Evidences of ineffective aspects of Control Environment.

for Expi- J.C. fails to prevent mngt. fraud;

- Significant transactions with management, not scrutinised by TCG.

- Mngt. fails to take corrective action on deficiencies previously communicated.

(ii) Absence of Entity Risk Assessment Process.

(iii) Evidence of Ineffective Entity Risk Assessment Process.

(iv) " " " Response to identified significant risk.

(v) " " Mngt./TCG inability to oversee the prep<sup>n</sup> of f.s.

(vi) Misstatements detected by auditor's procedures that were not prevented, detected and corrected by entity J.C.

(c) Communication of Deficiencies: Communication shall be through a formal letter known as "Letter of weakness" which shall comprise of following matters:

(i) Description of deficiency;

(ii) Explanation as to their potential effect;

(iii) Sufficient information so as to explain that:

(a) Purpose of audit is to express an opinion on f.s.; and

(b) Internal controls are evaluated to design the NTE of Substantive Audit procedures and not for the purpose of expressing an opinion on effectiveness of Internal Controls.

(iv) Statement that matters reported in this letter are limited to deficiencies identified and considered significant by the auditor.

(i.e. Other deficiencies in J.C. may exist).