

Conforming Amendments to Other Standards arising from Proposed SA 250(Revised)

Note: The following are conforming amendments to other Standards as a result of issuance of proposed SA 250(Revised). These amendments will become effective at the same time as proposed SA 250(Revised), and are shown with marked changes from the latest approved versions of the Standards that are amended. The footnote numbers within these amendments do not align with the Standards that are amended, and reference should be made to those Standards.

SA 210, Agreeing the Terms of Audit Engagements

Application and Other Explanatory Material

Agreement on Audit Engagement Terms

A25. When relevant, the following points could also be made in the audit engagement letter:

- Arrangements concerning the involvement of other auditors and experts in some aspects of the audit.
- Arrangements concerning the involvement of internal auditors and other staff of the entity.
- Arrangements to be made with the predecessor auditor, if any, in the case of an initial audit.
- [A reference to, and description of, the auditor's responsibilities under law, regulation or relevant ethical requirements that address reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity.](#)
- Any restriction of the auditor's liability when such possibility exists.
- A reference to any further agreements between the auditor and the entity.
- Any obligations to provide audit working papers to other parties.

An example of an audit engagement letter is set out in Appendix 1.

SA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

Introduction

Responsibility for the Prevention and Detection of Fraud

Responsibilities of the Auditor

[8a. The auditor may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, including fraud, which may differ from or go beyond this and other SAs, such as: \(Ref:](#)

Para. A5a)

- (a) Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance, assessing the appropriateness of their response to non-compliance and determining whether further action is needed;
- (b) Communicating identified or suspected non-compliance with laws and regulations to other auditors (e.g., in an audit of group financial statements); and
- (c) Documentation requirements regarding identified or suspected non-compliance with laws and regulations.

Complying with any additional responsibilities may provide further information that is relevant to the auditor's work in accordance with this and other SAs (e.g., regarding the integrity of management or, where appropriate, those charged with governance).

Requirements

Communications to Management and with Those Charged with Governance

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, unless prohibited by law or regulation, on a timely basis with 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. A59a–A60)

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 with those charged with governance on a timely basis. If the auditor suspects fraud involving management, the auditor shall communicate these suspicions with those charged with governance and discuss with them the nature, timing and extent of audit procedures necessary to complete the audit. Such communications with those charged with governance are required unless the communication is prohibited by law or regulation. (Ref: Para. A59a, A61–A63)

42. In accordance with SA 260(Revised), the auditor shall communicate, unless prohibited by law or regulation, with those charged with governance any other matters related to fraud that are, in the auditor's judgment, relevant to their responsibilities. (Ref: Para. A59a, A64)

Communications to Regulatory and Enforcement Authorities Reporting Fraud to an Appropriate Authority Outside the Entity

43. If the auditor has identified or suspects a fraud, the auditor shall determine whether law, regulation or relevant ethical requirements: ~~there is a responsibility to report the occurrence or suspicion to a party outside the entity. Although the auditor's professional duty to maintain the confidentiality of client information may preclude such reporting, the auditor's legal responsibilities may override the duty of confidentiality in some circumstances.~~ (Ref: Para. A65–A67)

(a) Require the auditor to report to an appropriate authority outside the entity.

(b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

Application and Other Explanatory Material

Responsibility for the Prevention and Detection of Fraud

Responsibilities of the Auditor (Ref: Para. 8a)

A5a. Law, regulation or relevant ethical requirements may require the auditor to perform additional procedures and take further actions. For example, the Code of Ethics issued by ICAI (Code of Ethics) requires the auditor to take steps to respond to identified or suspected non-compliance with laws and regulations and determine whether further action is needed. Such steps may include the communication of identified or suspected non-compliance with laws and regulations to other auditors within a group, including a group engagement partner, component auditors or other auditors performing work at components of a group for purposes other than the audit of the group financial statements.¹

Communications to Management and with Those Charged with Governance (Ref: Para. 40–42)

A59a. In some jurisdictions, law or regulation may restrict the auditor's communication of certain matters with management and those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity, for example, when the auditor is required to report the fraud to an appropriate authority pursuant to anti-money laundering legislation. In these circumstances, the issues considered by the auditor may be complex and the auditor may consider it appropriate to obtain legal advice.

~~Communications to Regulatory and Enforcement Authorities~~ Reporting Fraud to an Appropriate Authority outside the Entity (Ref: Para. 43)

A64. SA 250(Revised)² provides further guidance with respect to the auditor's determination of whether reporting identified or suspected non-compliance with laws or regulations to an appropriate authority outside the entity is required or appropriate in the circumstances, including consideration of the auditor's duty of confidentiality. ~~The~~

¹ See Sections 360.16-360.18 of the Code of Ethics.

² SA 250(Revised), Consideration of Laws and Regulations in an Audit of Financial Statements, paragraphs A28–A34

~~auditor's professional duty to maintain the confidentiality of client information may preclude reporting fraud to a party outside the client entity. However, the auditor's legal responsibilities vary by country and, in certain circumstances, the duty of confidentiality may be overridden by statute, the law or courts of law. In some countries, the auditor of a financial institution has a statutory duty to report the occurrence of fraud to supervisory authorities. Also, in some countries the auditor has a duty to report misstatements to authorities in those cases where management and those charged with governance fail to take corrective action.~~

A65. The determination required by paragraph 43 may involve complex considerations and professional judgments. Accordingly, the auditor may consider consulting internally (e.g., within the firm or a network firm) or on a confidential basis with the Institute of Chartered Accountants of India (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). The auditor may also consider it appropriate to obtaining legal advice to understand the auditor's options and the professional or legal implications of taking any particular determine the appropriate course of action in the circumstances, the purpose of which is to ascertain the steps necessary in considering the public interest aspects of identified fraud.

SA 260(Revised), Communication with Those Charged with Governance

Introduction

The Role of Communication

7. In some jurisdictions, law or regulation 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, including alerting the entity, for example, when the auditor is required to report identified or suspected non-compliance with laws and regulations to an appropriate authority pursuant to anti-money laundering legislation. In some these circumstances, the issues considered by the auditor potential conflicts between the auditor's obligations of confidentiality and obligations to communicate may be complex. In such cases, and the auditor may consider it appropriate to obtaining legal advice.

SA 450, Evaluation of Misstatements Identified During the Audit

Requirements

Communication and Correction of Misstatements

8. The auditor shall communicate, unless prohibited by law or regulation, on a timely basis all misstatements accumulated during the audit with the appropriate level of management, ~~unless prohibited by law or regulation.~~³ The auditor shall request management to correct those misstatements. (Ref: Para. A7–A9)

³ SA 260(Revised), Communication with Those Charged with Governance, paragraph 7

Application and Other Explanatory Material

Communication and Correction of Misstatements (Ref: Para. 8–9)

A8. In some jurisdictions, 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, including alerting the entity, for example, when the auditor is required to report identified or suspected non-compliance with law or regulation to an appropriate authority pursuant to anti-money laundering legislation. In ~~some~~ these circumstances, ~~potential conflicts between the auditor’s obligations of confidentiality and obligations to communicate may be complex. In such cases, the issues considered by~~ the auditor may be complex and the auditor may consider seeking it appropriate to obtain legal advice.

SA 500, Audit Evidence

Requirements

Information to Be Used as Audit Evidence

7. When designing and performing audit procedures, the auditor shall consider the relevance and reliability of the information to be used as audit evidence. (Ref: Para. A26–A33a)

Application and Other Explanatory Material

Information to Be Used as Audit Evidence

Relevance and Reliability (Ref: Para. 7)

A26. As noted in paragraph A1, while audit evidence is primarily obtained from audit procedures performed during the course of the audit, it may also include information obtained from other sources such as, for example, previous audits, in certain circumstances, ~~and~~ a firm’s quality control procedures for client acceptance and continuance and complying with certain additional responsibilities under law, regulation or relevant ethical requirements (e.g., regarding an entity’s non-compliance with laws and regulations). The quality of all audit evidence is affected by the relevance and reliability of the information upon which it is based.

A33a. SA 250(Revised)⁴ provides further guidance with respect to the auditor complying with any additional responsibilities under law, regulation or relevant ethical requirements regarding an entity’s identified or suspected non-compliance with laws and regulations that may provide further information that is relevant to the auditor’s work in accordance with SAs and evaluating the implications of such non-compliance in relation to other aspects of the audit.

⁴ SA 250(Revised), Consideration of Laws and Regulations in an Audit of Financial Statements, paragraph 9