Bhavana's Online Academy

SA 250

Consideration of Laws & Regulations in an Audit of FS

① Entity / mgt's responsibility → prevent/detect non-compliance in L&R

MSD-MEME

For this purpose, they may implement following Policies & Procedures

- monitor legal req
- System of Internal control
- Develop code of conduct
- monitor compliance of COC
- Emp- properly trained
- Maintain register of L&R
- Engage legal advisors

② Auditor's Responsibility / Duties

1) Obtain general understanding
   → Applicable legal & reg. framework + industry
   & how entity comply with it

2) Perform AP to identify non-compliance:
   - Direct & material effect on FS
     - Inquiry mgt/TCWG
     - Inspecting correspondence
     - Obtain SAAE about Compliance
   - No direct effect
     - Responsibility – limited
     - Specific audit procedures to help identify non-compli. that may have material effect on FS

3) Auditor attitude → Remain alert

4) WR → Mgt/TCWG → all known instances of Non-comp. have been disclosed to auditor.

③ Indicator's of Non-Compliance

C – Consultant	M – Mkt prices U – Unusual pyt in cash L – Legal fee T – Tax Heaven I – Info system	R – Record O – Other than Org country A – Adverse media comment D – Documentation

④ In case of Non-compliance

* Auditor has info —obtain→ Nature & futher info
* Suspected non compliance } 1) Discuss with mgt/TCWG
  2) If they X SAAE → legal advice
* Auditor → evaluate implications of non-compliance on audit opinion

5) Reporting Responsibilities

* **TCWG**

  1) If intentional / material → communicate as soon as practicable

  2) If TCWG is involved → communicate to next level [Audit committee / supervisory board]

     no such authority – obtain legal advice

* **Auditor's Report**

  1) NC has material effect but not reflected in FS → Qualified / adverse opinion

  2) Precluded by mgt / TCWG from obtaining AE → Qualified / disclaim opinion

* **Regulatory Authorities**

  Determine whether responsibility to report o/s entity