

SA 210

Agreeing the terms of Audit Engagement

① Objective $\left\{ \begin{array}{l} \text{Preconditions are present} \\ \text{Common understanding btw auditor \& mgt/TCWG} \end{array} \right.$

② Preconditions for an audit \Rightarrow Not present \rightarrow X accept unless law says to

Acceptability of FRF

Acknowledgement of Mgt Responsibility

FS according to AFRF

Internal control

Provide auditor with

- Access to all info
- Addn info requested
- Unrestricted access - persons

AAU

③ Contents of Engagement Letter

written agreement

S - Scope

O - Objective

R - Resp of auditor

R - Resp of mgt

I - Identification of AFRF

E - Expected form/report to be issued by auditor

④ Limitation of scope \rightarrow Prior to Acceptance

XSAAE such that auditor \rightarrow disclaim his opinion \Rightarrow X Accept unless law says to.

⑤ Acceptance of (change) in Engagement

Request from client

Change in circumstances

Misunderstanding

Restriction on scope - mgt/circumstances

mgt

Reasonable

Accept ✓

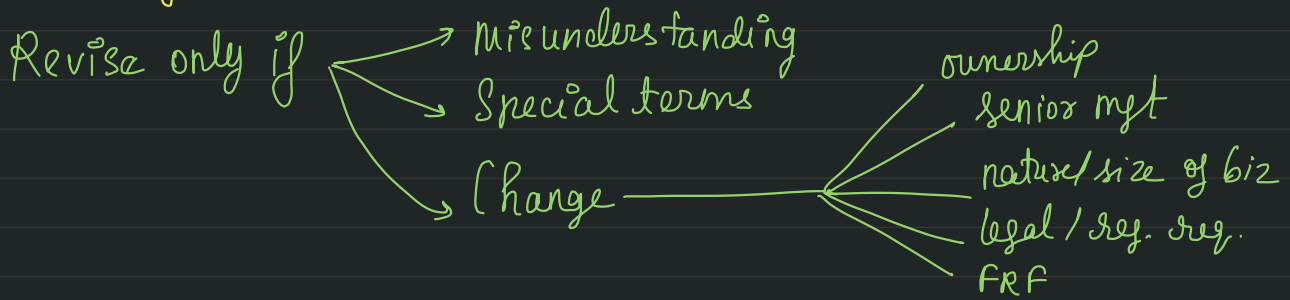
Unreasonable

Don't accept X

Withdraw/discuss with TCWG



⑥ Recurring Audit → Auditor → not to send new EL for each period



⑦ Contents of EL

- fees & Billing arrangements
- Mgt will provide work (SAS 80)
- Arrangements regarding
 - planning & performance of audit
 - Involvement of other auditors & experts
 - Involvement of internal auditors & staff of entity
- fact that due to inherent limitations of audit + IC → there is an unavoidable risk that some material misstatement may not be detected.



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