



Audit Revision Videos For CA Intermediate by Neeraj Arora



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Objective of the auditor

Accept or continue an audit engagement when the basis upon which it is to be performed has been agreed

Through

Establishing whether the preconditions for an audit are present

How to establish

Obtain the agreement of management that it acknowledges and understands its responsibility

Provide the auditor

Access to all information Relevant for PPFS
Additional Info. Requested by Auditor
Unrestricted access to persons within entity from whom auditor determines it necessary to obtain Audit Evidence

Preconditions not present

Discuss the matter with MGT

Unless required by law or regulation to do so, the auditor shall not accept the proposed audit engagement

Confirming common understanding between the auditor and MGT and, where appropriate, TCWG of the terms of the audit engagement



auditor and client, should be clear about the nature of the engagement



Must be in Writing



specify the scope of the work



sent by the auditor to his client

Agreement on Audit Engagement Terms

the auditor shall agree the terms of the audit engagement with

management

or

TCWG

In the case of partnerships, a few more precautions are needed

The appointment of the auditor is normally governed by the partnership deed.

should first get a clear idea of the nature of the service required

ensure, that his appointment is valid.

Content of Audit Engagement Letter

agreed terms

1. shall be recorded

in an audit engagement letter or other suitable form of written agreement

2. Shall include

2.1. objective and scope of the audit of the financial statements

2.2. responsibilities of the auditor

2.3. responsibilities of management

2.4. Identification of the AFRF for the PPFS

2.5. Reference to the expected form and content of any reports to be issued by the auditor and a statement that there may be circumstances in which a report may differ from its expected form and content.

law or regulation prescribes in 3. sufficient detail the terms of the audit engagement,

the auditor need not record them in a written agreement, except for the fact

that such law or regulation applies

and

that management acknowledges and understands its responsibilities.

Limitation on Scope Prior to Audit Engagement Acceptance

management or TCWG impose a limitation on the scope of the auditor's work

such that the auditor believes the limitation will result in the auditor disclaiming an opinion



the auditor shall not accept such a limited engagement as an audit engagement

unless required by law or regulation to do so.

Acceptance of a change in engagement

prior to completing the audit engagement

auditor is requested to change the audit engagement

to an engagement that conveys a lower level of assurance

the auditor shall determine whether there is Reasonable justification for doing so

auditor must do his work as per the new terms of engagement

and

must issue a report in accordance with the new terms of engagement.

The report would not include reference to

the original engagement
any procedures that may have been performed in the original engagement.

the auditor and management shall agree on and record the new terms of the engagement in an engagement letter or other suitable form of written agreement.

no reasonable justification

auditor should not agree to a change of engagement

unable to agree to a change of the terms of the audit engagement

and is not permitted by management to continue the original audit engagement

Auditor shall

Withdraw from the audit engagement where possible under applicable law or regulation

AND

Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators

request from the client for the auditor to change the engagement may result from

a change in circumstances affecting the need for the service

a misunderstanding as to the nature of an audit or related service originally requested.

a restriction on the scope of the engagement, whether imposed by management or caused by circumstances.

Terms of Engagement in Recurring Audits

Recurring audits

Situations it is appropriate to revise the terms of the audit engagement or to remind the entity of existing terms

The auditor may decide not to send a new audit engagement letter or other written agreement each period.

Auditor shall assess whether circumstances require

the terms of the audit engagement to be revised

and whether there is a need to remind the entity of the existing terms of the audit engagement.

1. misunderstands

entity misunderstands the objective and scope of the audit.

2. Special terms

revised or special terms of the audit engagement

3. Senior Management

change of senior management.

4. Ownership

change in ownership.

5. Nature

change in nature or size of the entity's business

6. Legal

change in legal or regulatory requirements.

7. Financial Reporting Framework

change in the FRF adopted for PPFS

8. Other

change in other reporting requirements