



SA 260 - Communication with TCWG

TCWG are one with responsibility for overseeing **strategic direction & accountability** of entity

<p>Effective two-way Communication b/w auditor & TCWG is important in assisting</p> <ul style="list-style-type: none"> • Them to understand matters of audit & develop constructive working relationship • Auditor to obtain info relevant to audit from TCWG • TCWG to fulfil responsibility to oversee FR, thereby reducing ROMM 	<p>Matter to be communicated by auditor to TCWG</p> <ul style="list-style-type: none"> • Planned scope & timing of audit - <ul style="list-style-type: none"> ○ Assist TCWG to understand consequences of auditor's work ○ Assist auditor to understand entity & its environment • Auditor's responsibilities for audit - <ul style="list-style-type: none"> ○ Forming & expressing opinion on FS ○ Audit of FS does not relieve Mgt or TCWG of their responsibilities • Significant findings from audit - <ul style="list-style-type: none"> ○ Auditor's views about significant qualitative aspect of entity's a/c practices ○ Significant difficulty encountered in audit ○ Unless all of TCWG is involved in Mgt <ul style="list-style-type: none"> ▪ Significant matters discussed with Mgt ▪ WR auditor is requesting ○ Circumstances that affect form & content of auditor's report ○ Other significant matters relevant to oversight of FR
<p>Significant difficulties encountered during audit</p> <ul style="list-style-type: none"> • Extensive unexpected effort required to obtain SAAE • Unavailability of expected info • Mgt's unwillingness to extend its Going concern (GC) assessment • Significant delays by mgt, unavailability of personnel, unwillingness to provide info • Unreasonably brief time to complete audit • Restrictions imposed on auditor by Mgt <p>In some cases, such difficulties may be scope limitation leading to modification of opinion</p>	<p>When auditor is required to include additional info in report & communicate with TCWG?</p> <ul style="list-style-type: none"> • Material uncertainty related to GC (SA 570) • Key audit matters (KAM) (SA 701) • Auditor expect to modify opinion (SA 705) • Emphasis of Matter (EOM) or Other Matter (OM) para is included as per SA 706 • There is uncorrected MM of other info as per SA 720 <p>Auditor to provide TCWG with draft report for discussion on how such matters will be addressed</p>
<p>Communication of auditor's independence to TCWG in case of listed entities</p> <ul style="list-style-type: none"> • Engagement team & network firms have complied with independence • All relationships that may be thought to bear on independence • Total fees charged for audit & non-audit services provided by firm & network firms to entity & its components - Allocated to categories to assist TCWG to assess effect of services on independence • Safeguards applied to eliminate or reduce threats to independence • Communicate in writing about significant (not all) findings, oral communication is not adequate <p>Documentation - Where above matters are communicated orally, auditor shall include them in audit documentation, & when & to whom they were communicated. If above matters are communicated in writing, auditor shall retain copy of communication</p>	

Deficiency in IC

- A **control necessary** to prevent, or detect and correct, misstatements in FS **is missing**
- A **control** is designed, implemented or operated so that it is **unable to prevent, or detect and correct**, misstatements in FS or

Significant deficiency in IC

- A deficiency in IC which is of sufficient **importance for attention of TCWG**
- Significance of deficiency in IC **depends** not only on whether **misstatement** has actually **occurred**, but **also** on **likelihood** of that **misstatement**
- Therefore, Significant **deficiency may exist** even though auditor has **not identified misstatements**

Communication of significant deficiencies in IC to Mgt

- In **writing**, significant deficiencies that auditor has **communicated to TCWG**, **unless** it is **inappropriate** to communicate directly to Mgt
- **Other deficiencies** in IC identified during audit that are **not communicated to Mgt** by other parties and are of **sufficient importance** for Mgt's attention

Auditor shall include in written communication of significant deficiencies in IC (Letter of Weakness)

- A **description** of deficiencies
- Their **potential effects**
- Sufficient **info** to enable TCWG and Mgt to **understand context** of communication.
In particular, auditor shall explain that -
 - **Purpose** of audit was to **express opinion** on FS
 - **Audit** included consideration of **IC** but **not** for purpose of expressing **opinion on effectiveness** of IC
 - Matters being reported are **limited** to those **deficiencies** that **auditor has identified** during audit