

SA 450 - Evaluation of Misstatements Identified during Audit

Misstatement is **diff** b/w ACPD of **reported FS item** & ACPD **required** for item as per **AFRF**

<p>Accumulation of misstatements</p> <ul style="list-style-type: none"> • Auditor shall accumulate misstatements identified during audit, other than those that are clearly trivial • When there is uncertainty about whether one or more items are clearly trivial, it is considered not to be clearly trivial <p>Auditor shall determine whether audit strategy and audit plan need to be revised if</p> <ul style="list-style-type: none"> • Nature of identified misstatements and circumstances of their occurrence indicate that other misstatements may exist that could be material or • Aggregate of misstatements accumulated during audit approaches materiality 	<p>Communication & correction of misstatements</p> <ul style="list-style-type: none"> • Auditor shall communicate on a timely basis all misstatements accumulated during audit with appropriate level of mgt, unless prohibited by law or regulation • Auditor shall request mgt to correct those misstatements • If Mgt corrects misstatements, auditor shall determine whether misstatements remains • If mgt refuses to correct some or all of misstatements communicated by auditor, auditor shall obtain understanding of mgt's reasons for not making corrections & shall take that understanding into a/c when evaluating whether FS are free from MM
<p>Evaluating effect of uncorrected misstatements</p> <ul style="list-style-type: none"> • Prior to evaluating effect of uncorrected misstatements, auditor shall reassess materiality to confirm whether it remains appropriate • Auditor shall determine whether uncorrected misstatements are material • In making this determination, auditor shall consider - <ul style="list-style-type: none"> • Size & Nature of misstatements • Effect of uncorrected misstatements related to prior periods 	<p>Communication with TCWG</p> <p>Auditor shall communicate with TCWG regarding uncorrected misstatements and effect that they may have on opinion in auditor's report and also effect of uncorrected misstatements related to prior periods</p> <p>Written Representation</p> <p>Auditor shall request WR from mgt and TCWG whether they believe effects of uncorrected misstatements are immaterial. A summary of such items shall be included in WR</p>