

SA 250: Consideration of laws & Regulations (LIR)

In an Auditor of As.

Q Who has the responsibility to ensure entity complies with LIR?

mg + TCAQ. Auditor

Q What are policies & procedures entity implements
↓
comply with L&RS?

- Monitor legal requirements & ensure operating procedures designed to meet these requirements.
eg TDS deposit / + GST Advance Tax
- Instituting & Operating appt. system of Internal Control.
[Design] ↓ (general)
- Develop, publicise & follow a Code of conduct [specific]
[Emp. kosajham] [COC]
- Ensure employees are trained & understand COC.
↓
- Monitor compliance with COC.
↓
- Engaging legal advisors to assist in monitoring LIR requirements.
↓ [LIR applicable?]
- Maintain Register of L&Rs applicable to entity & record of complaints.

Q What is Auditor's responsibility?

Obtain R.A. that F.S. are free from M.M. due to Fraud or Error.
↓ [LIR]

Auditor considers applicable Legal/Regulatory framework of entity.

* Owing to "JLA" there's unavoidable risk that some M.M. may not be detected even though audit done as per SAs.

For LIRs ⇒ JLA to detect M.M. are greater because:

- There are many laws & regulations relating to operating aspects of entity that don't affect AS.
- Non-compliance may involve conduct designed to conceal it.
eg collusion, forgery etc.
- Whether Act is a non-compliance is decided by court of law.

Not captured by A/c system.

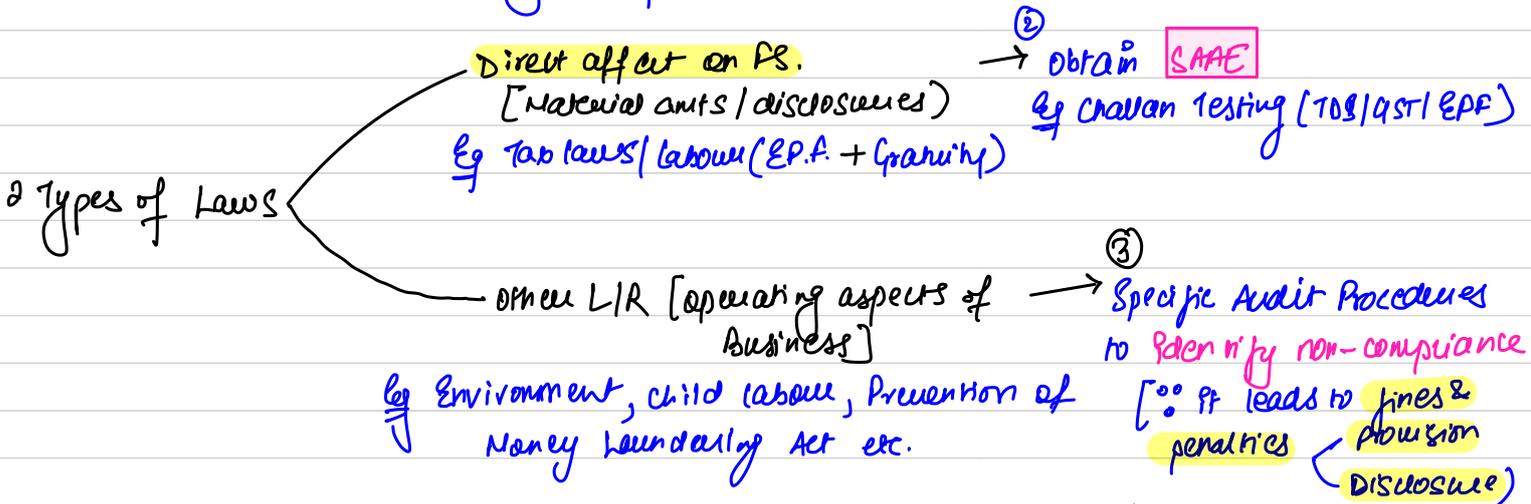
[2 mfn]

Audit Procedures

eg listed
SEBI

eg Jio/Airtel → Telecom
Indigo/Air India → Airline

- ① Understand • legal & regulatory framework of entity / industry
- How entity complies with framework.

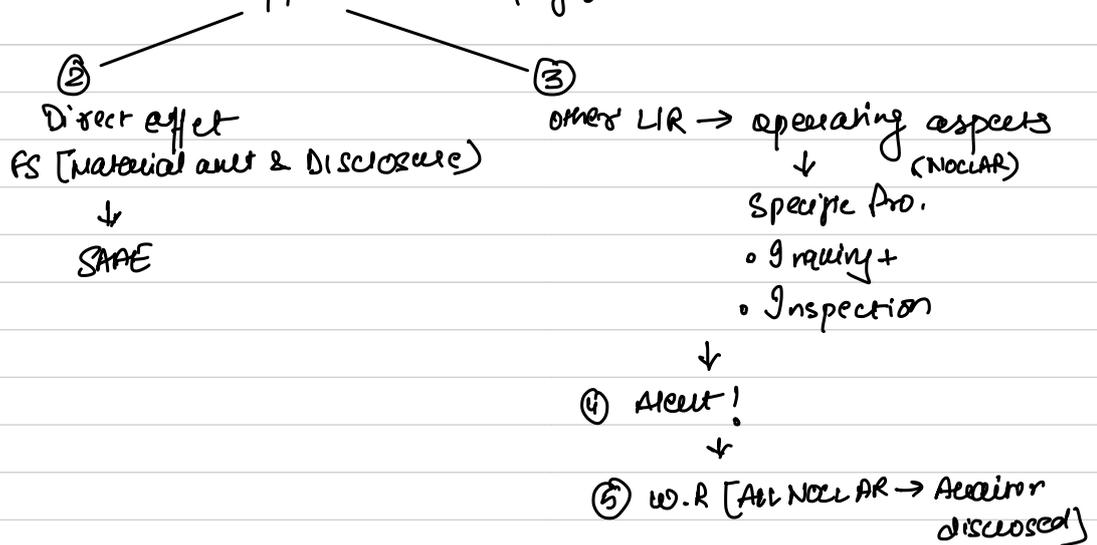


- Inquiry of ngt (+)
- Inspecting correspondence with regulatory authorities.

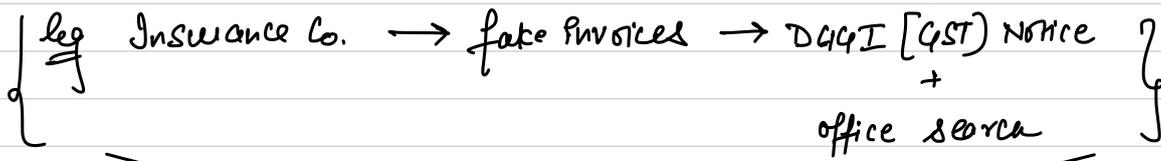
eg Notice from National Green Tribunal ⇒ identify non-compliance.

- ④ Remain **Alert** for instances of NOCLAR. [Prof skepticism]
- ⑤ obtain **W.R.** that all known NOCLARs disclosed to auditor.

Summary: ① Understand → LIR applicable + comply?



Audit Procedures when Non-Compliance is Identified / Suspected. [5★]



feel of NOCLAR

- ① obtain understanding of
- [kyakusa?] name of activity
 - &
 - [kinn haalaton?] circumstances in which it has occurred.
- [Mgt fraud] → NOCLAR

- ② further info. to evaluate "possible" effect on FS.

Discuss with mgt & TCWG ⇒ ③ If they don't provide sufficient info & impact maybe material then, obtain legal advice.

- ④ If sufficient info. can't be obtained ⇒ ~~modify opinion~~
evaluate effect of lack of SAE on the audit opinion

- ⑤ Evaluate effect of NOCLAR on other aspects of audit i.e.

Risk Assessment & Reliability of W.R. & take appt. action.
ROM ↑

Summary ① Understand — Activity
— Circumstances

→ ② possible effect on FS → mgt + TCWG

↓
③ sufficient info ⇒ legal advice maybe material ✓

↓
⑤ other aspects → ROM + Reliability of W.R. ← ④ SAE ⇒ effect on audit opinion