

## SA:210 Agreeing Terms of Audit engagement.

Scope: this SA deals with the auditor's responsibility in agreeing the terms of the audit engagement with management & TCWG.

### Q1 contents of engagement letter

1. the Objective & Scope of the audit of FIs
2. the responsibilities of Auditor
3. The responsibilities of management
4. Identification of AFRF for the preparation of FIs.
- 5) Reference to the expected form & content of Any report to be issued by the auditor and statement that there may be circumstances in which a report may differ from its expected form & content.

Law or regulation prescribes in sufficient detail the terms of the audit.

### Q2 Preconditions of Audit

- a) Determine whether the financial reporting framework is acceptable (and) b) management shall agree to the premise on which audit is conducted

↓  
obtain an agreement from mgmt, that mgmt understands & acknowledges its responsibilities.

1. TO prepare FIs as per APFRF including where relevant their fair presentation

2. TO design & implement internal control so that FIs are prepared free from mm

3. TO provide Auditor with

all information that mgmt has knowledge of in relation to FIs

additional info required for audit may request from mgmt.

TO provide unrestricted access to persons within the entity from the auditor determines it necessary to obtain AE



### Q3 change in the Terms of Audit engagement

Auditor shall require Reasonable justification

change in  
circumstances affecting  
the need of  
services

misunderstanding  
regarding the  
nature of Audit  
of terms originally  
agreed.

Restriction  
on the scope  
of work of work

By mgmt (or) By  
circumstances

Auditor finds the  
Reason

Justified

change the terms  
of Audit eng

he shall not give reference

original  
engagement

(or) procedures  
performed in  
organisation  
engagement

↓  
To avoid confusion to the  
readers of revised eng  
report

Not Justified

he shall not change the  
terms of Audit eng

withdraw  
from  
eng if permitted  
by law

Ⓔ Determine  
if there is  
any obligation  
as per contract  
or otherwise  
to report the  
matter to TCWA/  
owners/  
regulator

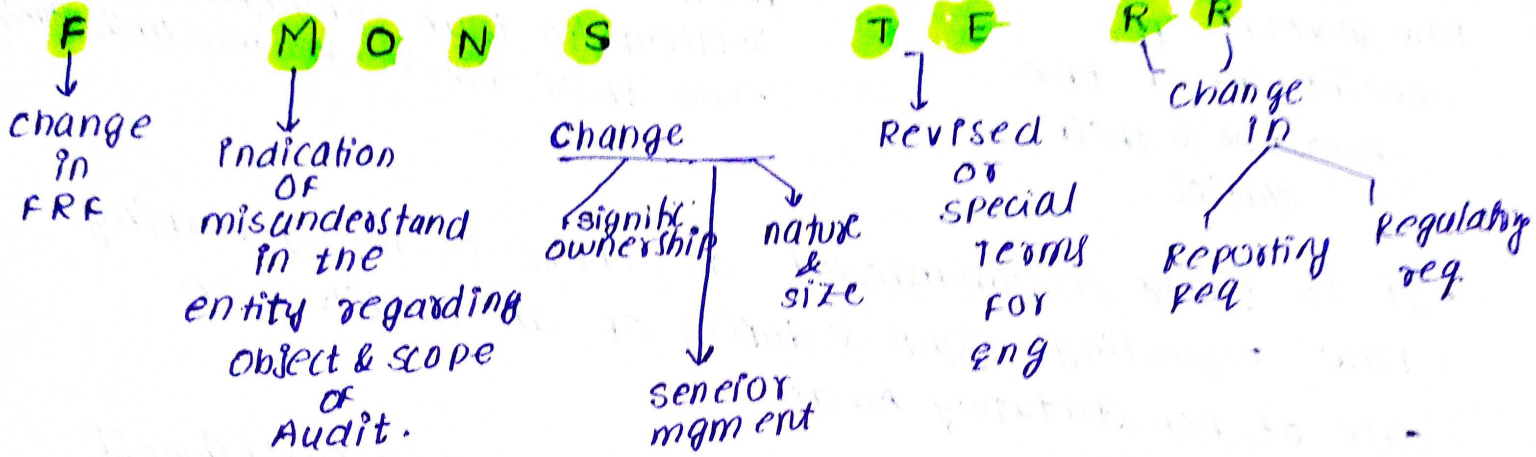
\* A change may not be reasonable if it appears that  
the change relates to information that is incorrect  
incomplete, or otherwise unsatisfactory



## Recurring Audit

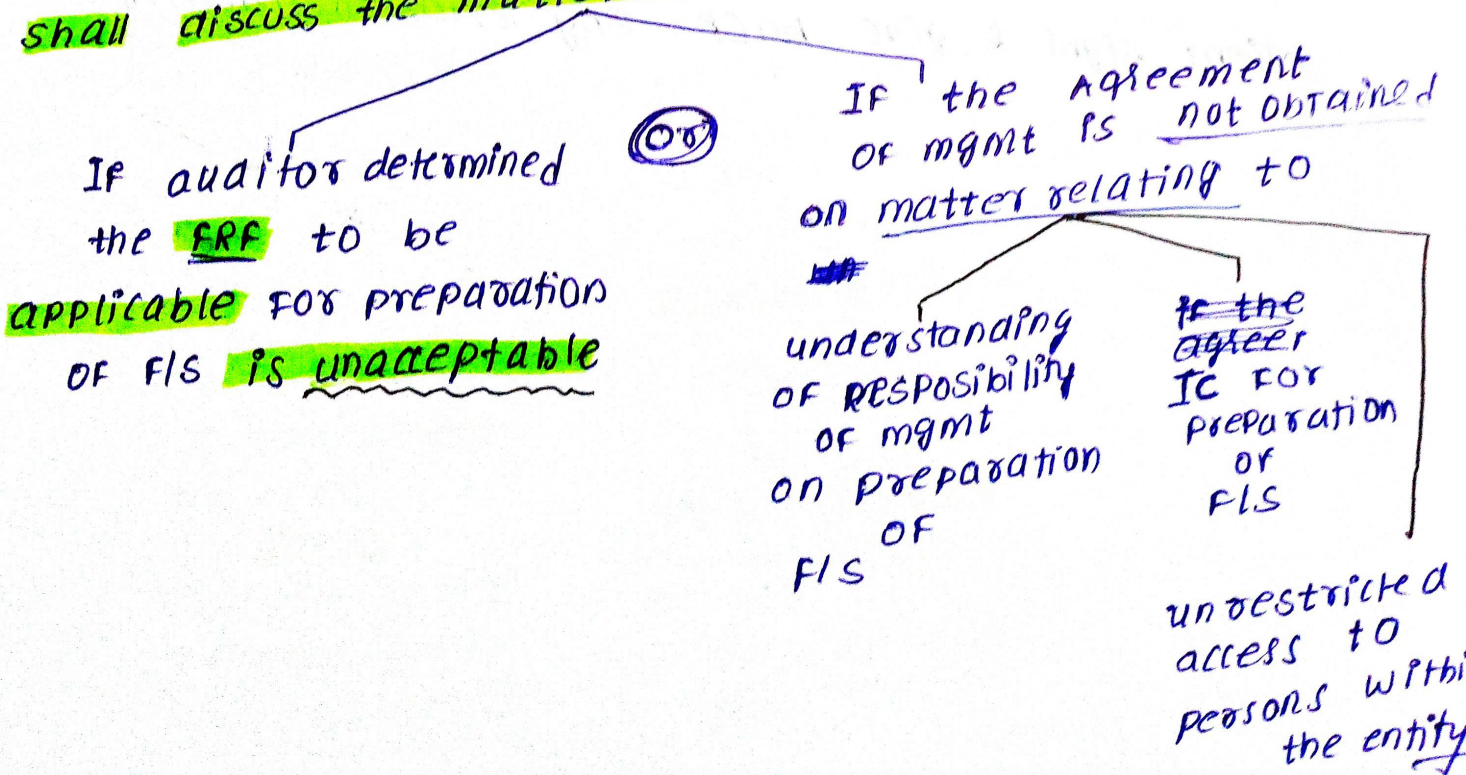
Factors/ circumstances → Auditor **revises** the terms of eng **or** **terminates** the entity of existing terms.

### Factors



**As** preconditions are not present unless, required by law or regulation **auditor shall not accept the proposed** audit engagement if preconditions are not present.

**He** shall discuss the matter with management





## Q. 6 Letter of engagement

a) Statutory audit

↓  
In case of statutory audit the respective law governs the appointment of the Auditor & their duties.

b) In other cases

↓  
It's a matter of contract.  
In the interest of both the auditor & client to issue engagement letter  
→ so there will be no misunderstanding

- It is highly recommended as there is no governing law regarding rights & duties of an auditor in case of non statutory audit
- It Imp for both auditor & client that each party should clear about the nature of engagement

★ Audit engagement letter is sent by the Auditor to his client.  
client signs & give back eng letter to auditor