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 wheather the financial reporting framework is acceptable

(and)

b) management shall agree to the premise on which audit is conducted

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Obtain an agreement from mgmt, that mgmt understands & acknowledges its resposibilities.

1. To prepare FIS as per APFRF including where relavent their fair presentation
2. To desin & 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 effecting the need of services
- misunderstanding regarding the nature of Audit of Terms orginaly agreed.
- Restriction on the scope of work of work
  - By mgmt (or) By circumstance

Auditor finds the Reason

- Justified
  - change the Terms of Audit eng
  - He shall not give reference to
    - orginal 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 TCWG/ owners/ regulators

★ A change may not be resonable 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 reminds the entity of existing terms.

factors

F M O N S T E R R

- F → change in FRF
- M → Indication of misunderstand in the entity regarding object & scope of Audit.
- O N S → Change
  - signific. ownership
  - senior mgm ent
  - nature & size
- T E → Revised or special terms for eng
- R R → Change in
  - Reporting req
  - Regulatory req.

as preconditions are not present

Auditor shall not accept the proposed audit engagement if preconditions are not present. unless, required by law (or) regulation

He shall discuss the matter with management

If auditor determined the FRF to be applicable for preparation of F/S is unacceptable

Or

If the agreement of mgmt is not obtained on matter relating to

- understanding of responsibility of mgmt on preparation of F/S
- ~~If the agreer~~ IC for preparation of F/S
- unrestricted access to persons within the entity

Q. 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 reccomandeded 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