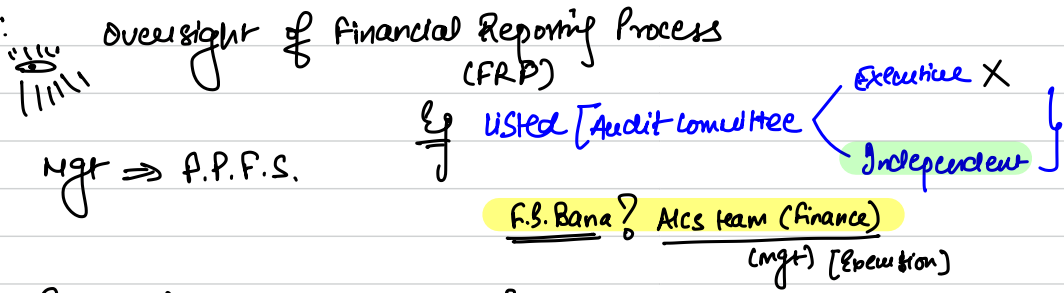


SA 260: Communication with TCWG

TCWG Role:



Role of 2 way communication

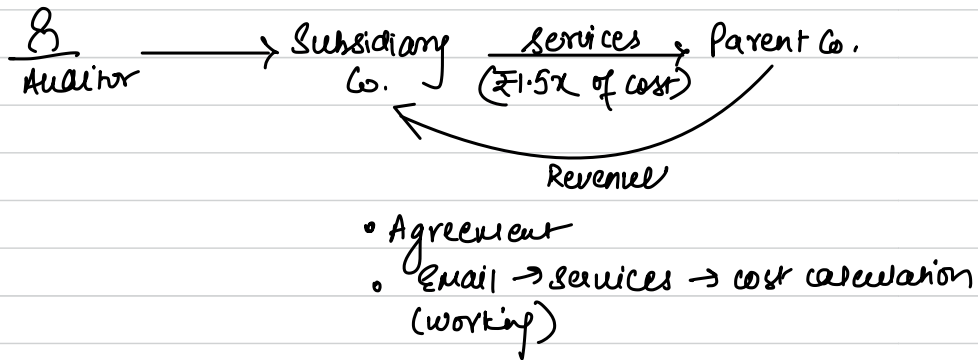
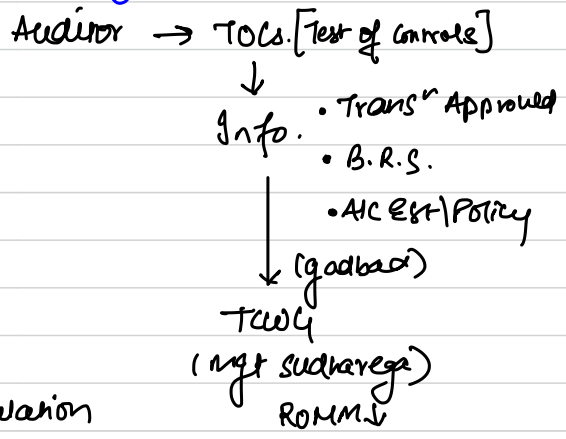
Effective 2 way communication is important in assisting:

a) Auditor & TCWG in understanding matters relevant to audit & develop constructive working relationship.

b) Auditor in obtaining info. relevant to audit.

- eg. TCWG may assist auditor in:
- Understanding Entity/Environment (SA 315)
 - Identifying source of evidence (SA 500)
 - info. on specific transaction.

c) TCWG in fulfilling responsibility to oversee financial reporting process thereby reducing ROMM.



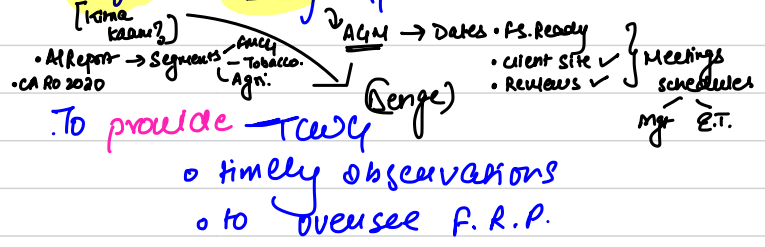
Objective of Auditor [SA 260]

RA. -> opinion -> At Report

- To communicate with TCWG
- Responsibilities of Auditor
- planned scope & timing of audit

(Lenge)

• To obtain from TCWG info. relevant to audit



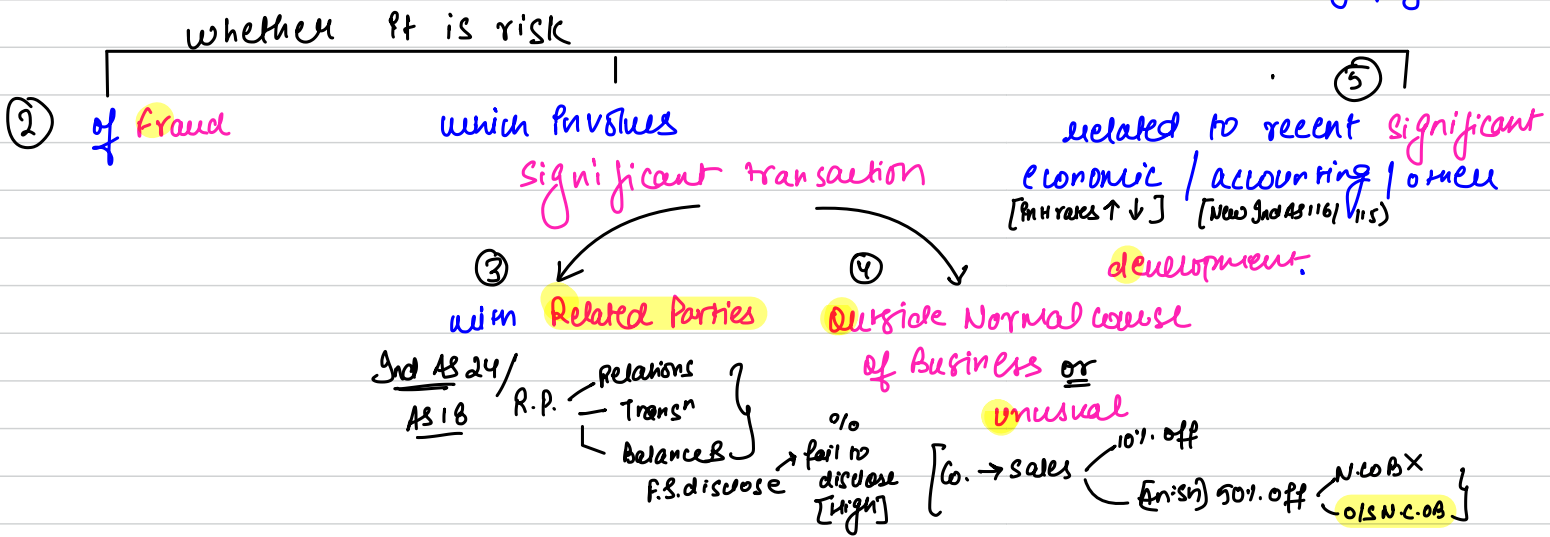
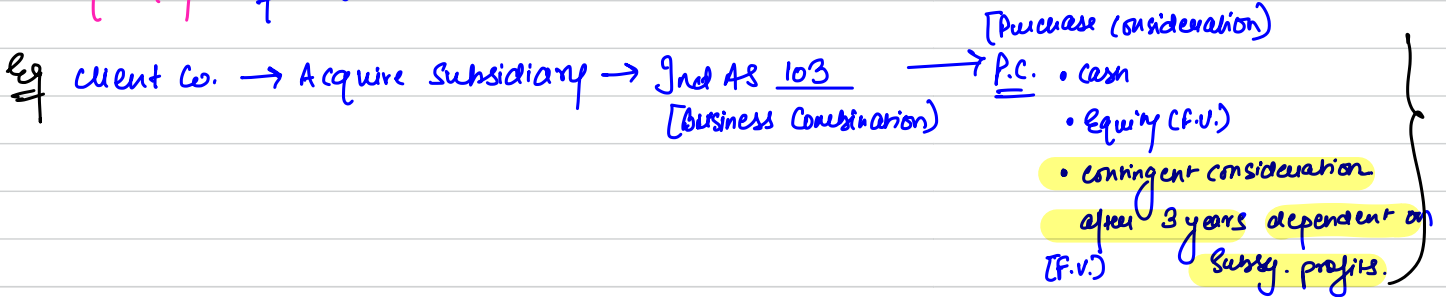
• To promote 2 way communication b/w auditor & TCWG. [India]

Significant risks (Revenue ↑ ⇒ Spl. consideration (focus))

Examples:

Complex FROUD
[2mPn]

① Complexity of transaction



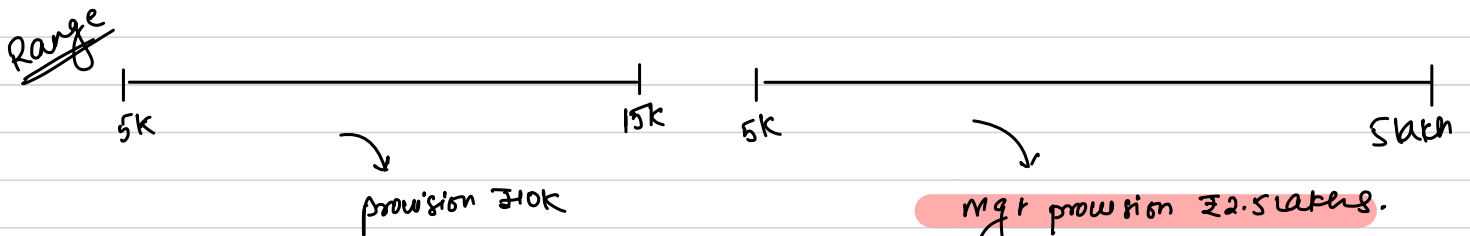
⑥ Degree of subjectivity in Acc Estimates having wide range of measurement uncertainty

eg provision for penalty

[Actual penalty different from estimate]

Case I

Case II



Revenue ↑
[margin] ⇒ ↑ margin]

Actual penalty ⇒ ₹70k

Significant findings from Audit

→ F.R.P
TCWG ke mabas

a) Significant qualitative aspects of entity's AIC practices { AIC estimates
AIC policies
Disclosures.

Amendukh

b) Significant difficulties felt during audit. [Eg from book]

(Tgre)

c) Unless all TCWG are managing entity:

- Sig. matters discussed with mgt. [Eg Iareu]
- W.R.(s) auditor is requesting.

(Kamu Iki Baek)

d) Circumstances that affect form & content of AIC report. [Book.]

(Favourite)

e) Any other sig. matter in auditor's Professional Judgment (A.J.) sig. to F.R.P.

main 60

"Significant matters discussed with mgt" ⇒ TCWG
(Now) main

① Business conditions that affect business plans that may affect ROMM.

Eg ITC Uol → tobacco products → C.C. Assess. → F.S.C.C ✓ → ROMM
Ban (Inappropriate)

② Significant events / transactions during period.

Eg Factory [tobacco produce] ⇒ lease ⇒ lessor Accounting

③ concerns about mgt's consultations with other accountants on Accounting & Audit matters.

Eg: lease details → Accountant { op. lease
finance lease? ⇒ op. lease

④ discussions during appointment regarding AIC practices, SAs, & fees.

Eg mgt → Auditor → Policy ⇒ op. lease ⇒ charge? ⇒ objectivity (Indep.).

⑤ Sig. matters on which disagreement with mgt.

Eg lease - mgt → operating (unless resolved by obtaining further info.)
Auditor → finance

Auditor communication with TWCY regarding Independence [Listed Entities]

- (a) Statement that Engg. Team & firm's personnel have complied with **ethical requirements of Independence.**
- (b) Relationships & other matters b/w firm (including network firm) & Entity that bear on Independence.
 This includes:
 - Total fees for $\left\{ \begin{array}{l} \text{audit} \\ \text{\& non-audit services} \end{array} \right.$ charged by firm (or network firms) to Entity / components controlled by Entity. (subsidiary)
- (c) [Safeguards] to
 - Eliminate /
 - Reduce threats to acceptable level.

2 min
03

SE & Associates is doing audit ICAI Pvt Ltd.
 Audit fees = ₹ 2 cr m.m. nitali
 BB & Associate (network firm) is providing tax representation service to **NFRA Pvt Ltd** (subsidiary of ICAI)
 (fees = ₹ 5 cr)

Does it affect independence of SE & Associates?

