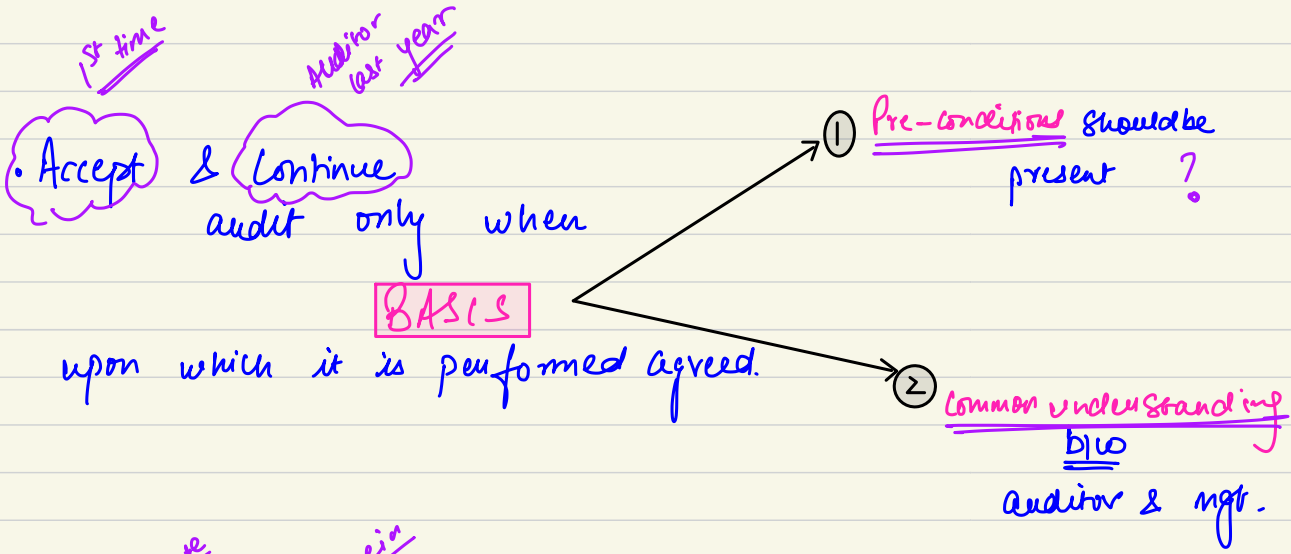


SA 210: Agreeing the Terms of Audit Engg. (Simple + Scoring)



Pre-conditions of Audit (5th Topic)

(a) FRF is acceptable

(b) Agreement of mgr that it

naani Acknowledges \neq samajhti Understands Responsibility

• PPFs as per AFRF (Preparation & presentation of fs.)

• Internal control necessary to prepare fs. ~~Free~~ of m.m (F/E)

• Provide Auditor with

Access to all info. relevant to prepare fs.
T/L ledger / JE / invoice agreement

Additional info. that auditor may require.

Finality chhoot gaya n

Unrestricted access to persons within Entity to obtain audit evidence.

B B Sales trans.
↓
B Sales mgr
Inquiry? yes

Domain
DAD

Q What if pre-condⁿ not present?

- Discuss with mgt.

- Don't accept audit enng unless reqd by law/Regulation.

→ how Hai
Kabhi Bhi
nahi

Ans 5 CA 210 "Agreeing the terms of Audit enng," auditor shall accept/continue audit enng only when basis on which it's performed is agreed through:

a) Establishing pre-conditions of audit are present.

b) Confirming common understanding b/w auditor & mgt.

One of pre-conditions is to obtain agreement from mgt that it acknowledges & understands responsibility for PPFs as per AARF & J.C. for f.s. to be free from mm (f/e).

Facts of Case: CA X is insisting mgt for agreement regarding responsibility for internal control to prepare fs free from m.m. But mgt is not agreeing to this.

Conclusion ∴ • CA X's view is proper

- If mgt doesn't provide agreement, CA should → discuss matter with mgt &

→ Not accept audit unless required by L/R.

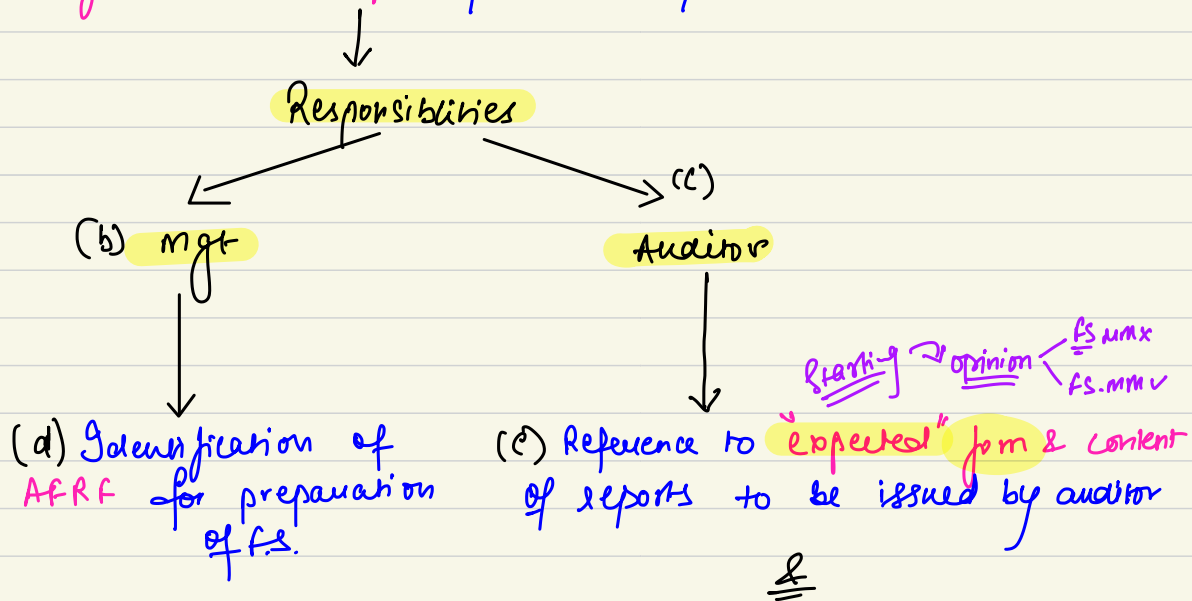
Contents of Engagement Letter (EL)

Definition: Agreed terms → recorded in Engg letter / other written agreement.

• Who sends EL to whom?

EL is sent by Auditor → client.

• Contents? a) ^{R.A} objectives & ^{Inclusion Excl.} scope of Audit of F.S.



2 min

Statement there may be special circumstances in which report may differ from expected form / content.

SA 570	701	705	706
↓	↓	↓	↓
MURK Para	key audit matter	modified opinion	Em/om Para

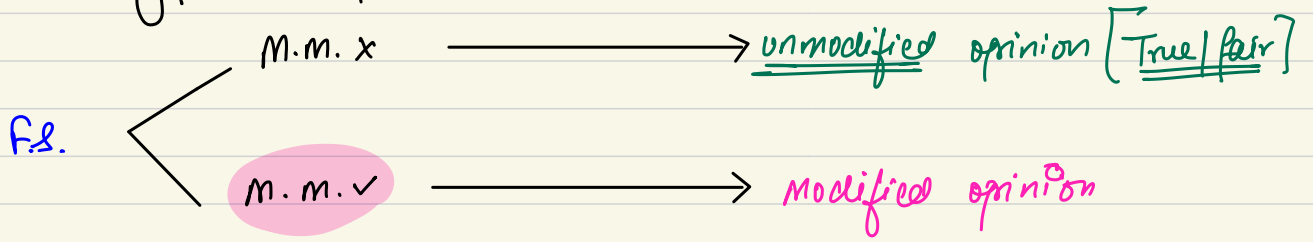
Note: If Law / Reg. prescribed in sufficient detail terms of Engg

[Record again? No]

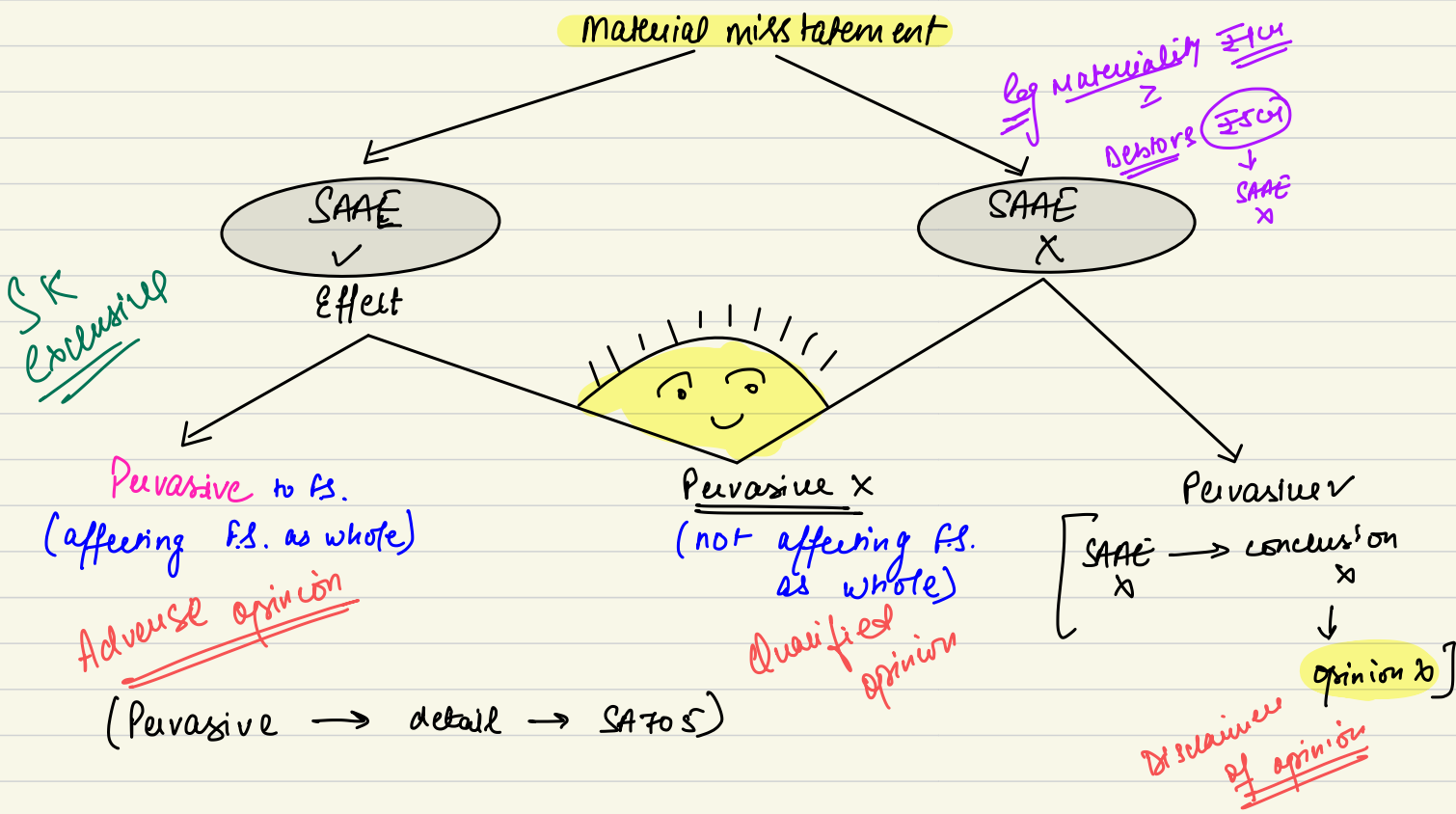
Auditor not record them in written agreement

[Record?] • fair that Except such LIR applies. &
 • mgt Acknowledges & understands its responsibilities.

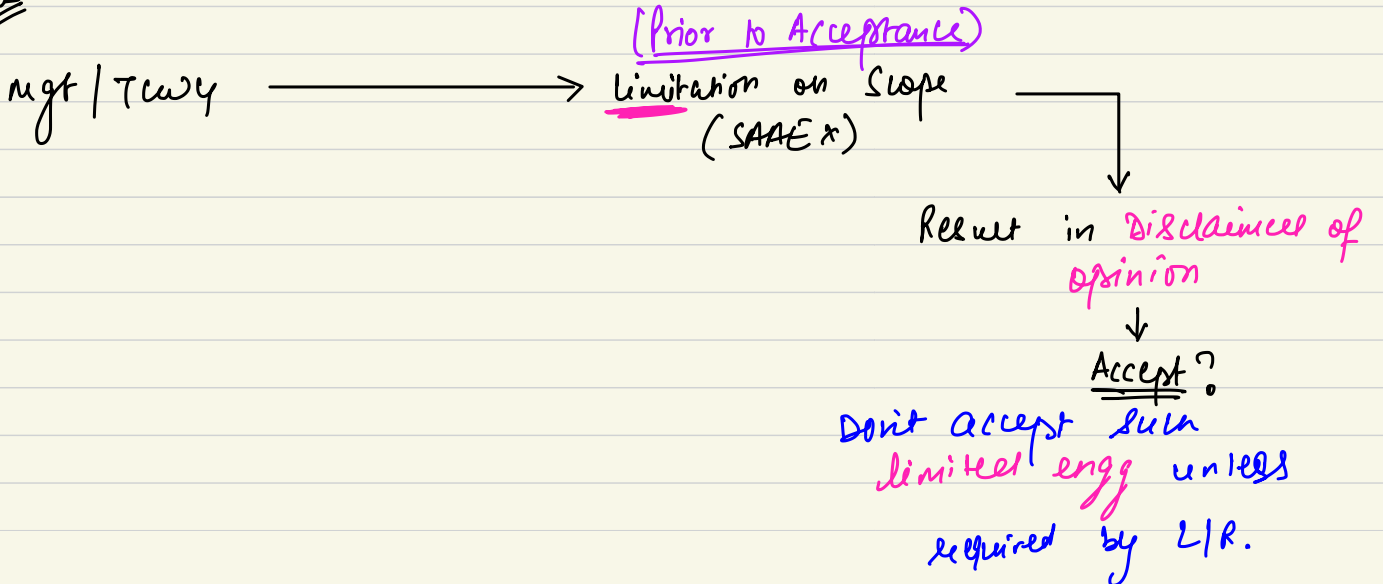
Types of opinions



Modified opinion (Types)



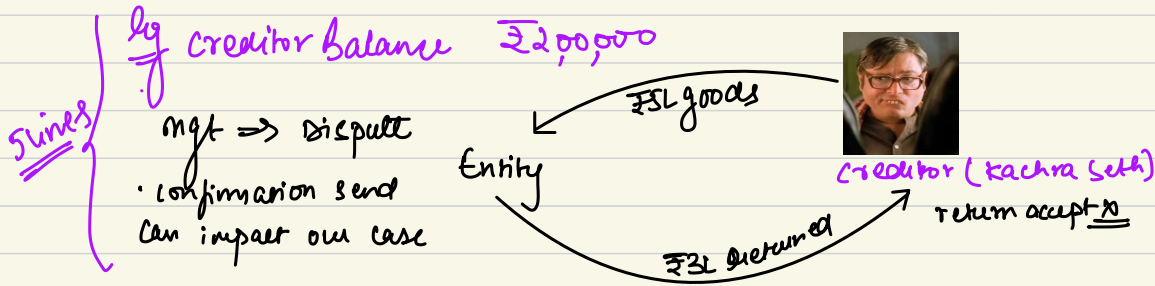
Ans Hing



Audit — Review / Related Service
Change in Terms of Audit Engg (After Acceptance)

① Circumstances
 (Client request auditor to change terms of audit engg.)

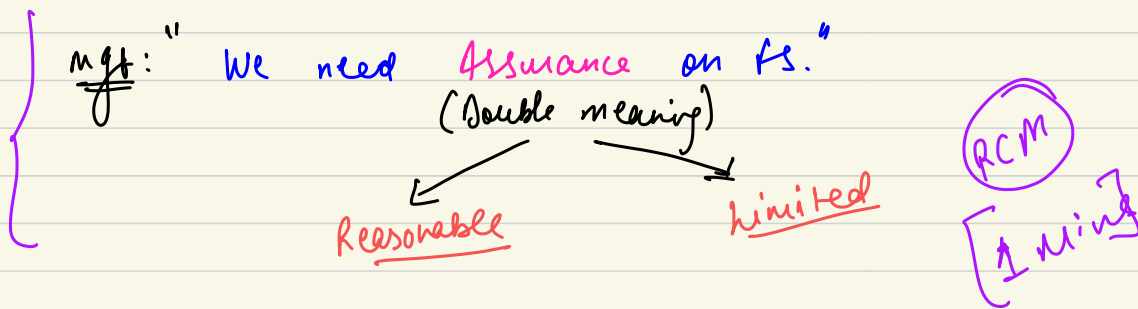
① Restriction on scope of audit, imposed by { mgt
or
circumstances.



② change in circumstances affecting need for service.



③ misunderstanding as to nature of audit originally requested.

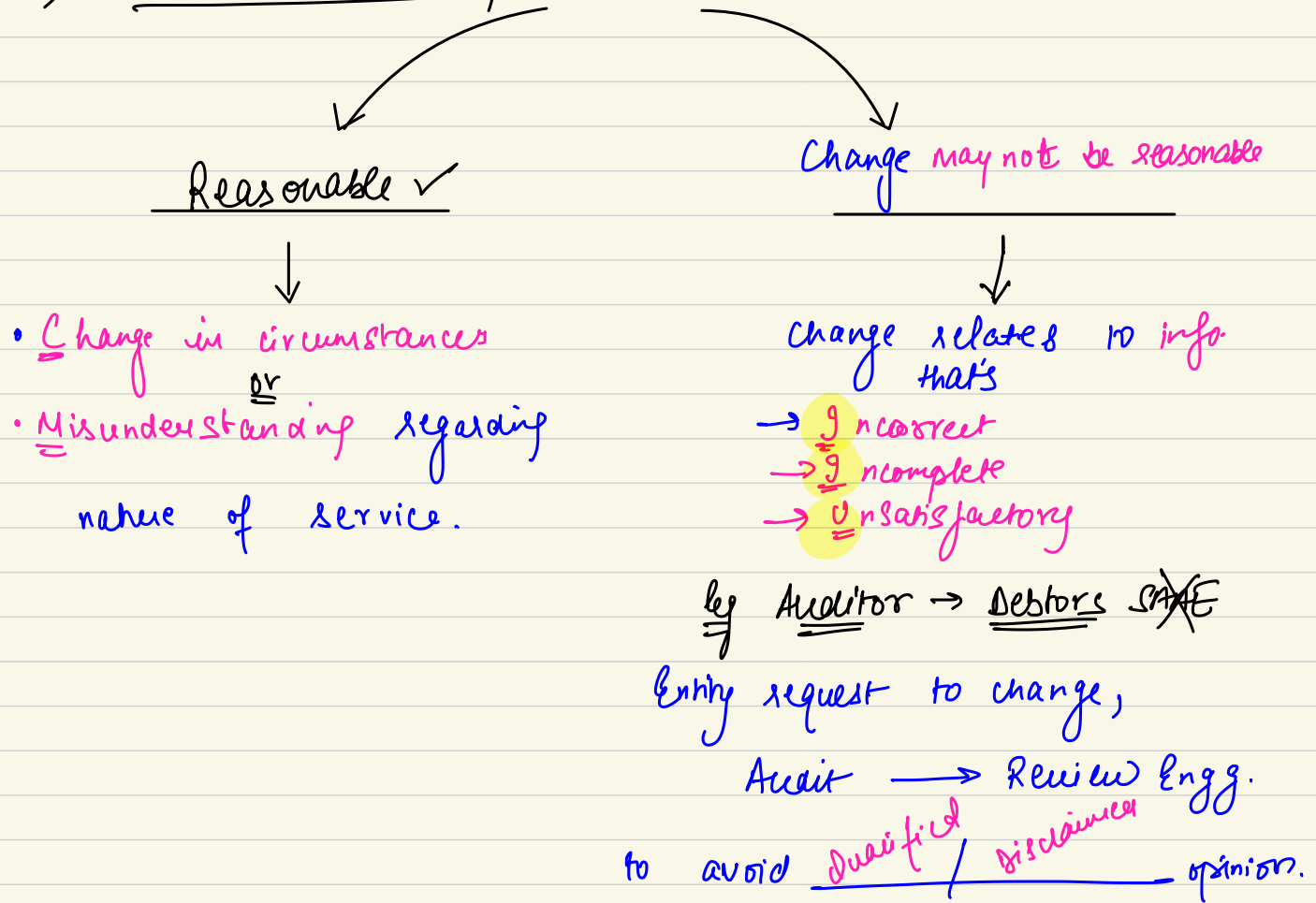


Can Auditor accept change in terms?

Yes only if there is

Reasonable justification.
 valid reason

(II) What's Reasonable / Unreasonable



(III) What to consider before agreeing change of

[For your understanding] 70-757.

Audit Engg $\xrightarrow{\text{(changed)}}$ Engg with lower Assurance.
Review / Related Service

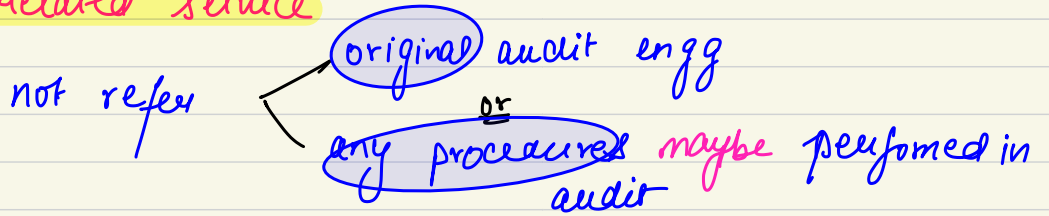
① R.J. → Reasonable justification

② Also assess, contractual / legal implications of change.

③ Audit work performed maybe relevant to changed engg.
Debtors test till date Review ✓ / A.V.P. ✓
Compilation engg. ✗

④ However • work to be performed &
• report to be issued
should be appropriate to original / Revised engg.

⑤ To avoid confusing readers,
Report on related service



Exception on %

If Audit engg $\xrightarrow{\text{changed}}$ Agreed upon procedures

[Reference to procedures included in report]

2 min 55
DSD

④ Auditor agree & mgt continue audit?

withdraw if possible LR

or

Report circumstances to %

- owners
- TCWG
- Regulator

[Cos. Act sec 140(2)
Resign ADT-3 (free) Co. ROC

30 days from Resignation

lets Revise

Change in terms of engg.

(I) Circumstances?

[Restriction on scope ← mgt circum.
Change in circum.
Misunderstanding regarding nature of audit]

(II) R.I.

Yes [cm]
Nahi [Restr. on scope → info. → 99U

by Drs SAAE (Audit → review)
avoid Q/D opinion.]

④ Not

mgt continue x

→ withdraw possible LR

(III)

[Yes]

① R.I.

② legal / contractual implication

③ Audit pro. maybe relevant

→ Report

- owners
- TCWG
- Regulator

④ New Pro. Report → Revised engg.

⑤ Report on Related service

Reflex $\begin{cases} \text{Audit } \times \\ \text{Audit Pro } \times \end{cases}$

Exception A.V.P refer audit pro. ✓

Recurring Engg (Audit performed over years)

⑧ 2023-24 EL ✓ 2024-25 NEW EL? Depends on Factors
(Revise Engg Letter)

