SA-210 Agreeing the terms of Audit Engagement

Objective of Auditor is to ACCEPT or CONTINUE an Audit Engagement only when :-
- Preconditions for an audit exist
- Confirming a common Understanding b/w Auditor & Mgt./TCWG of TERMS of Audit Engagement.

Preconditions for an Audit

Acceptable FRF ← A P I C → Coordinate
→ Internal Controls
→ preparation of F/S

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If Preconditions NOT present
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Discuss the matter with management.

!! Do NOT accept the proposed Audit Engagement !!
- FRF is Unacceptable
- If management do NOT agree with its responsibilities
- If limitations imposed on Scope of Auditor's work by management / TCWG and auditor believes that this limitation would result in Disclaiming the opinion on F.S (unless required by law or regulation).

* Add. Information that auditor may request may include matters related to other Info. as per SA 720. If he expects to obtain this AFTER date of Auditor's Report → Terms of Audit Engagement should acknowledge Auditor's Responsibilities & Actions

Agreement on Audit Engagement Terms

- Auditor shall agree the terms with management / TCWG
- Recorded in Audit Engagement Letter / other suitable form of Written Agreement.
- It Includes :-
  - F → Expected form & Content of any reports to be issued by Auditor.
  - O → Objective & Scope of Audit of F.S.
  - A → Applicable FRF ki Identification
  - R → Responsibilities of → Auditor, → Management

- If law / Regulations prescribes Sufficient detail of these Terms
  ↳ ∴ Auditor need not record them in written Agreement except for the fact that L or R applies and mgmt. acknowledges & understands its responsibilities.

Acceptance of Change in Terms of the Audit Engagement

If prior to completing audit engagement, Auditor is requested to change A. Engagement to an Engagement which conveys lower level of assurance]

Determine whether there is Reasonable Justification for doing so → No → Do not agree

↓ Yes

∴ Change ho gyi hain Terms

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Auditor & mngmt. to agree on and record New Terms in Engagement letter / other form → Unable to agree to change in Terms

→ Withdraw where possible under applicable laws And Report to other parties

Recurring AUDITS

- Assess whether circumstances require Revision in terms & whether there is Need to Remind entity of existing terms

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Factors determining are:-

→ Any indication that entity misunderstands Objective & Scope of Audit

→ Revised / Special terms of Audit Engagement

→ Recent Change in Senior Management

→ Significant Change in Ownership

→ Significant Change in Nature / Size of entity's business

→ Change in Legal or Regulatory requirements

→ Change in FRF

→ Change in other Reporting requirements

FORM & CONTENT of the Audit Engagement Letter

- May vary for each Entity.

→ Elaboration of scope of audit + Reference to applicable SAs, laws / Regulations, ethical & other pronouncements of professional bodies that Auditor follows.

→ Form of any other communication of Results of A. Engagement.

→ Fact that because of Inherent Limitations of Audit & Internal Control there is an Unavoidable risk, even Audit is properly planned & performed as per SAs.

→ Arrangement regarding planning & performing of audit + Composition of Audit Team.

→ Expectations for WR by management

→ Management's arrangement to make available to the auditor • Draft F.S. • Other Information IN TIME to allow him complete audit in accordance with the proposed timetable.

→ Management's arrangement to Inform the auditor of FACTS which may affect F.S. & mgmt. may become aware of these facts during the period from date of A.Report to date of F.S. are issued.

→ Basis on which FEES are computed & any billing arrangements.

→ Receipt for • Acknowledging Audit Eng. Letter &
• Agreement to terms of Engagement

→ Fact that A.P. may be subject to Peer Review under CA Act, 1949.