SA-260 Communication With TCWG

SCOPE

→ Auditor's Responsibility

→ Unless they are TCWG, not to communicate with Mgt. or Owners.

→ SA also applicable to Audits of Other Historical Fin. Info when TCWG have responsibility to Oversee the preparation of other historical Fin. Info.

→ Nothing in this SA preclude Auditor from Communicating any other matters to TCWG.

ROLE OF Communication

a.) Constructive Working Relationship

b.) Obtaining Relevant Info. from TCWG.

c.) TCWG to oversee FR process.

Auditor's Objective

→ Communicate clearly Responsibilities of Auditor & planned Scope & Timing of Audit

→ Obtain Relevant Info.

→ Provide TCWG with timely observations that are Significant & Relevant in Overseeing Finanancial Reporting process.

→ Promote Effective two-way Communication

Meaning of TCWG

Responsibility for Overseeing Strategic direction of Entity & Obligations related to Accountability

- May Include Mgt. Personnel.

REQUIREMENTS of SA

- Determine appropriate person(s) to whom Communication is Made

→ With Sub group of TCWG for eg → an Audit Committee / Individual; Determine need to Communicate with governing body.

→ All TCWG are involved in managing the Entity Need not to commicate again

- Matters to be Communicated

MT ⇒ $\boxed{\text{IFRS}}$

i.) Auditor's Responsibilities in relation to F.S. Audit

- for forming Opinion on F.S.
- Does NOT relieve Mgt./TCWG of their responsibilities.

ii) Planned Scope & Timing of Audit

- Overview of this to communicate with TCWG and about Significant Risks. Includes:-

a.) Auditor's plan to address Significant Risks of Material Misstatement

b.) plans to address areas of Higher assesed RMM.

c.) His approach to I.C.

d.) Application of Concept of Materiality.

iii) Auditor Independence

In case of Listed Entities;

- Statement of Compliance with Ethical Requirements & Independence by ET and others in firm.
- All Relationships b/w firms, Network firms & Entity
- Safeguards to eliminate Identified threats or reduce them.

iv) Significant Findings from the Audit

a.) Auditor's Views on Entity's A/cing policies, practises, Estimates and F.S. Disclosures

b.) SIGNIFICANT DIFFICULTIES

Egs:- • Significant delays by mgt. to provide Info.

- Unnecessarily brief time to complete Audit
- Extensive Unexpected Effort required to obtain SAAE
- Unavailibility of Expected Info.
- Restrictions imposed on Auditor by mgt.
- Mgt's unwillingness to make or extend its assessment of entity's ability to Continue as a going Concern when requested.

c.) Unless all TCWG Involved in mgt.

- Significant matters discussed with mgt.
- WR the auditor is requesting

d.) Circumstances affecting Form & Content of A. Report

e.) Any other Significant matters that Auditor's professional Judgement are significant to TCWG.

Communication Process

→ Form, timing & Expected General Content of Comm.

Forms of Communication

a.) • Oral or Written

- Detail or Summarized
- Structured or Unstructured

b.) Communicate in Writing, when in his professional Judgement Oral Communication would NOT be adequate

c.) In writing with TCWG regarding Auditor's Independence

Factors affecting Mode of Communication

1.) Legal Requirements
2.) Size, Operating Structure, Control Env. & Legal Structure of Entity
3.) Expectations of TCWG, arrangements for periodic meetings with Auditor
4.) Amount of Ongoing Contract & dialogue Auditor has with TCWG
5.) Key Audit Matters (whether discussion to be included in A. Report)
6.) Satisfactorily resolved
7.) Whether mgt. has previously Communicated the matter.
8.) Audit of Special Purpose F.S, whether he also audits Entity's General purpose F.S.
9.) Any Significant Changes in membership of governing body.

Timing of Communication

- appropriate time varies with significance & Nature of Matter & Action Expected by TCWG

Eg:

→ Regarding Planning Matters may be made Early in A. Eng.

→ Significant difficulty - as soon as practicable

→ SA 701 applies, preliminary views about KAM when discussing planned Scope & may have more frequent Communications to further discuss such matters when Communicating about Significant Audit Findings

→ Regarding Independence when Judgements about threats & Safeguards are made

→ Findings from Audit, as part of Concluding discussion.

Adequacy of Comm. Process

- Evaluate whether two-way Communication is adequate
- If NOT → Effect on Auditor's assessment of RMM & ability to obtain SAAE & taking appropriate Actions.

Documentation

- ORALLY

→ Matters Communicated

→ When & to Whom

→ Copy of Minutes retained as part of A. Docum.

WRITING

Retain a copy of documentation