

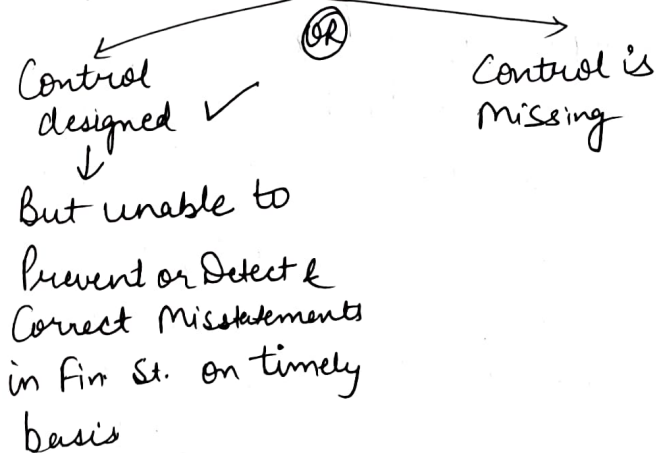
SA-265 Communicating Deficiencies in Internal Control to TCWG

Scope

- Deficiencies in I.C. that auditor thinks are of Sufficient Importance
- SA do not impose Add. responsibilities in obtaining Understanding of I.C. (DOT) over & above requirements of SA 315 & 330.

Auditor's Objective
To communicate appropriately

Deficiency in I. Controls



REQUIREMENTS

- ↳ Identification of deficiencies in I.C.
- On basis of Audit work performed → whether identified one or more deficiencies in I.C.

↓ Yes

Determine whether Individually / In Combination they constitute Significant Deficiencies.

* Not only Occurrence but also Likelihood that misstatement could occur.
∴ Significant deficiencies may exist even though the Auditor has NOT identified misstatements during Audit.

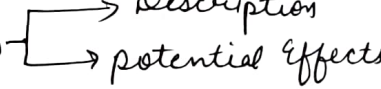
↳ Indicators of Significant Deficiencies

1. Evidence of Ineffective aspects of Control Env.
2. Entity's RAP - Absent / Ineffective
3. Ineffective response to Identified Significant Risks.
4. Correction of prior period misstatements due to fraud / error
5. Mgt. Inability to oversee F.S. preparation
6. Misstatements detected by A. Procedure were NOT prevented / detected & corrected by Entity's I.C.

Communication of deficiencies in I.C.

- In writing the Significant deficiencies in I.C. on a timely basis to TCWG
- Also Communicate to Mgt. at appropriate level of responsibility on timely basis
 - Significant deficiencies in I.C. which was communicated or Intends to Communicate to TCWG
 - Unless inappropriate to directly communicate to mgt.
 - Other deficiencies in I.C. which was NOT communicated to mgt. by other parties & in his judgement are of sufficient importance to merit mgt.'s Attention.

Contents of written Communication of Significant deficiencies in I. Control

- a.) Deficiencies 
 - Description
 - potential effects
- b.) Sufficient Info. to TCWG & mgt.
 - :-
 - Purpose of Audit was to express opinion on F.S.
 - Audit includes only those I.C. relevant to preparation of F.S. in order to "Design A. Procedures" but NOT for purpose of expressing an Opinion on Effectiveness of I. Control.
 - Matters being Reported are LIMITED to those deficiencies that Auditor has Identified during Audit & Concluded are of Sufficient importance to TCWG.