



Communication of Audit Matters with Those Charged with Governance

SLAuS 260

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Agenda.

- Introduction
- Matters to be communicated
- The communication process
- Other matters

Introduction



Introduction

- The purpose of this Sri Lanka Auditing Standard (SLAuS) is to establish standards and provide guidance on communication of audit matters arising from the audit of financial statements between the auditor and those charged with governance of an entity.
- This SLAuS does not provide guidance on communications by the auditor to parties outside the entity, for example, external regulatory or supervisory agencies.
- This standard focuses on an effective two way communication as a basis for the establishment of a constructive working relationship with the auditor and those charged with governance while maintaining the auditor's independence and objectivity.

The auditor should communicate audit matters of governance interest arising from the audit of financial statements with those charged with governance of an entity



Introduction

Governance

Governance is the term used to describe the role of persons entrusted with the supervision, control and direction of an entity. Those charged with governance ordinarily are accountable for ensuring that the entity achieves its objectives, with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties. Those charged with governance include management only when it performs such functions .

Introduction

Audit Matters of Governance Interest

Are those matters that arise from the audit of financial statements and, in the opinion of the auditor, are both important and relevant to those charged with governance in overseeing the financial reporting and disclosure process.

Audit matters of governance interest include only those matters that have come to the attention of the auditor as a result of the performance of the audit.

The auditor is not required, in an audit in accordance with SLAuSs, to design audit procedures for the specific purpose of identifying matters of governance interest

Introduction

Relevant Persons

The auditor should determine the relevant persons who are charged with governance and with whom audit matters of governance interest are communicated.

- ❖ Culture
- ❖ Legal



Introduction

Which of the following is not the objectives of SLAuS 260?

To communicate clearly with TCWG the responsibilities of the auditor in relation to financial statement audit and an overview of the planned scope and timing of the audit.

To obtain information relevant to the audit from TCWG

To provide TCWG with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.

To promote effective two way communication between the auditor and the management.



Matters to be Communicated



Matters to be Communicated

- The general approach and overall scope of the audit.
- The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements.
 - The potential effect on the financial statements of any material risks and exposures, such as pending litigation or claims
- Audit adjustments, that have, or could have, a material effect on the entity's financial statements.
- Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Disagreements with management
- Expected modifications to the auditor's report.
- Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management.
- Any other matters agreed upon in the terms of the audit engagement

The auditor should consider audit matters of governance interest that arise from the audit of the financial statements and communicate them with those charged with governance



Matters to be Communicated

Uncorrected Misstatements

Need not include misstatement below a designated amount

Those charged with governance are informed that:

- (a) The auditor's communications of matters include only those audit matters of governance interest that have come to the attention of the auditor as a result of the performance of the audit
- (b) An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters

The auditor should inform those charged with governance of those uncorrected misstatements aggregated by the auditor during the audit that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole



Matters to be Communicated

Which of the following may be communicated when communicating the planned scope and timing of an audit engagement to TCWG?

The Auditor's approach to internal controls relevant to the audit.

The application of the concept of materiality, in the context of the audit

The extent to which the auditor plans to use the work of the internal audit function.

Discussion on the views of TCWG on matters including areas warranting particular attention during the audit.



Matters to be Communicated

Which of the following do you believe is not specifically required to be communicated as per SLAuS 260?

The Auditor's responsibility in relation to the financial statements.

An overview of the planned scope and timing of the audit

Details of significant findings from the audit.

The nature and extent of audit procedures the auditor intends to perform.



Matters to be Communicated

The auditor is prevented from communicating with management on similar matters which SLAuS 260 requires to be communicated with TCWG?

True

False



The Communication Process



The Communication Process

Timing of Communication

The auditor should communicate audit matters of governance interest on a timely basis.
This enables those charged with governance to take appropriate action

Forms of Communications

- The size, operating structure, legal structure, and communications processes of the entity
- The nature, sensitivity and significance of the audit matters of governance interest to be communicated.
- The arrangements made with respect to periodic meetings or reporting of audit matters of governance interest
- The amount of on-going contact and dialogue the auditor has with those charged with governance

The auditor's communications with those charged with governance may be made orally or in writing.



The Communication Process

In addition to the significance of the matter to be communicated the form of communication may be affected by which of the following

- **Legal Requirements**
- **The expectations of those charged with governance**
- **The amount of on going contact and dialogue with TCWG**
- **Whether management has previously communicated the matter**
- **Whether there has been a significant change in the governing body.**

Oral Communication on audit matters of Governance

- Document in work Papers – Minutes etc..
- Advisable to confirm in writing



Communication on audit matters of Governance interest with Management

- Opportunity to clarify facts and issues
- If management agrees to communicate, ensure effective and appropriate communication.

Except matters of management competence or integrity



Modification of Audit report

If the auditor considers that a modification of the auditor's report on the financial statements is required, communications between the auditor and those charged with governance cannot be regarded as a substitute.



Thank you.